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China Report

ECONOMIC AFFAIRS

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NATIONAL ECONOMIC POLICY

ECONOMIC JOURNAL ON NATIONAL ECONOMIC READJUSTMENT

HK101110 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 1,
20 Jan 80 pp 23-27 HK

[Article by Zhu Yuanjen [2612 0337 3791] and Fan Maofa [5400 5399 4099]:
"Basic Socialist Economic Laws Must Be Followed When Readjusting the
National Economy"]

[Text] Comrade Hua Guofeng pointed out in the second session of the Fifth NPC: "The tasks of readjusting, restructuring, consolidating and improving the national economy are related to and they promote each other. But the key point at present is the readjustment of the whole national economy." If we are able to carry out the readjustment work conscientiously, we will be able to do a good job in the first battle for the realization of the four modernizations to enable the national economy to develop rapidly and proportionately.

The reason for readjusting the national economy is that there exists a serious tendency for an economic imbalance. All of us no doubt hold identical views in this respect. Yet our views are not identical with regard to the reason for this tendency and the direction in which the readjustment work should be oriented. We hold that the most important answers to these questions are that we must realize the leading role played by the basic socialist economic laws in developing the national economy under the socialist system. When we are carrying out economic activities according to the objective economic laws we must first of all carry out these activities in line with the basic socialist economic laws.

I

The basic socialist economic laws were laid down by Stalin. The main feature and demand of these laws are that they be "used to constantly develop and improve socialist production on the basis of highly developed technology to fully meet the ever-increasing social demands in both material and culture." (Stalin: "The Problems of the Soviet Socialist Economy," People's Publishing House, 1961 issue, pp 31-32)

This explanation points out not only the goal of socialist production but also the means to attain this goal. This peculiar goal and the means of socialist production are closely related to each other and cannot be separated. If we separate these two aspects, if we pay attention just to one aspect and neglect the other, we will go against the demands of the basic socialist economic laws. It is no doubt that the basic way to constantly raise the living standards of the people is to rapidly increase production levels and develop social productive forces in a big way. It is unrealistic to improve the lives of the people without developing production. If we forget the purpose of socialist production, lopsidedly pursue high production levels and do not pay attention to raising the people's living standards the national economy will then be out of balance and we will fail in promoting production.

The basic socialist economic laws determine all major aspects and processes of socialist production. They also determine the nature of socialist production and its direction of development. Within the system of socialist economic laws, the basic socialist economic laws play a leading role. When referring to the basic socialist economic laws and the role of the laws of the systematic development of the national economy, Stalin said: "The laws of the systematic development of the national economy will become efficient only if there is a task needed for the systematic development of the national economy. The laws of the systematic development of the national economy themselves cannot offer such a task... This task is included in the basic socialist economic laws and is manifested in the above-mentioned demand of these laws. Therefore, the systematic development of the national economy can fully display its role on the basis of the basic socialist economic laws." (Stalin: "The Problems of the Soviet Socialist Economy," People's Publishing House, 1961 issue, pp 31-32) The situation is the same for the law of value and the law of distribution according to work. Therefore, when we stress the importance of following economic laws, we must be very determined in giving primary importance to following the basic socialist economic laws.

The basic socialist economic laws demand that we must correctly determine the basic foundation of the proportionate relations that are to be realized in the national economic planning. Marxism holds that it is an objective law of all societies to distribute the social labor force according to a certain ratio. But as each society has different purposes of production, the ratio is also different. Because of the role of the law of surplus value, the capitalist society realizes the relations of ratio through competition and anarchy in production. But in a socialist society, the relations of all ratios are arranged through plannings according to the demands of the basic socialist economic laws. Engels said that in a socialist society "production is adjusted systematically according to the needs of the whole society and the needs of each of its members." (Marx and Engels: "Anti-Duhring," "Selected

Works," Vol 3, p 319) Lenin also said: "Socialist society is a big consumer cooperative that organizes production in a planned way for the purpose of consumption." (Lenin: "The Latest in Iskra Tactics or Mock Elections as a New Incentive to an Uprising," "Collected Works," Vol 9, p 356) [HK101116] These explanations tell us that the work of planning the national economy and handling the proportionate relations of accumulation and consumption and of agriculture, light industry and heavy industry must all be done to meet the demands of society and each laborer. If we run counter to this purpose, national economic planning will lose its bearings.

II

The practice of our country's socialist construction over the past 30 years has shown that once we carry out our work according to basic economic laws, our production will develop quite rapidly and the lives of the people will be improved; when we run counter to these laws, the production will develop slowly and the lives of the people cannot be improved.

Our production developed quite rapidly and the lives of the workers greatly improved during the First Five-Year Plan. According to statistics, the average gross output value of industry and agriculture during this period increased by 10.9 percent each year, of which gross agricultural output value was 4.5 percent and gross industrial output value was 18 percent. Total national income increased on the average by 8.9 percent each year and the salaries of the workers increased on the average by 7.4 percent. Although our country had then just started to undertake large-scale economic construction, we were able to attain such achievements because we paid attention to the basic socialist economic laws. Comrade Li Fuchun said in his "Report on the Development of the National Economy During the First Five-Year Plan": "The ultimate goal of the people's revolution and socialist construction is to constantly raise the living standards of the people both in material and culture." In working out the First Five-Year Plan, we did it according to the specific conditions of our country. We followed the basic socialist economic laws and arranged the proportionate relations of accumulation and consumption and of agriculture, light industry and heavy industry according to reality. Thus in making an overall plan, we were able to take into consideration both the construction of the country and the living standards of the people and to determine the scale and pace of construction according to the capacity of our finances, materials and technology. The accumulation rate during this period was on the average 24.2 percent each year. According to the situation at that time the rate was rather high. But since we had a definite goal of production, we were able to closely combine the work of developing production with improvement of people's lives. We had definite goals for developing production and improving people's lives. In addition we also paid attention to the economic results of

construction. Therefore, in spite of large-scale economic construction we were still able to raise the people's living standards. As a result, we were able to raise the positive factor of the broad masses of people in the socialist construction to insure the victory of the First Five-Year Plan.

The First Five-Year Plan was completed smoothly. In particular, the work of socialist transformation of agriculture, the handicraft industry and the capitalist commerce and industry was completed 10 years ahead of schedule. As a result, some comrades became conceited over these achievements. They exaggerated the role of subjective initiative and neglected or even ran counter to objective economic laws. Under the influence of subjective "left" ideology, they began in 1958 to set unrealistically high goals and a high development of production. They created a tendency to "affect the transition to communism prematurely," lopsidedly emphasized "steel as the key link" and drastically expanded the scale of capital construction and increased the accumulation rate. During the first 3 years of the Second Five-Year Plan, the accumulation rate on the average was about 40 percent each year, seriously affecting the increase of people's consumption levels. In order to attain the high production goal of iron and steel, they used an enormous labor force, materials and finances to turn out steel by using indigenous methods, thus seriously affecting agricultural and industrial production. They did not consider the economic results of these measures and caused enormous waste. This shows that both the goal of production and the means to attain this goal went against the basic socialist economic laws. The results were that the proportionate relations were seriously out of balance and social reproduction was hampered. Heavy industrial production dropped in 1961 and 1962. Statistics show that during the Second Five-Year Plan, the average gross industrial and agricultural output value only increased by 0.6 percent each year, of which gross industrial output value only increased by 3.8 percent while gross agricultural output value dropped by 4.3 percent. The total national income dropped by an average of 3.1 percent each year and the people's living standards also dropped.

To solve the problem of the serious imbalance in national economy, the party Central Committee put forward the policy of "readjusting, restructuring, consolidating and improving" the economy in the winter of 1960. Guided by this policy and on the basis of the basic socialist economic laws and the laws of systematic and proportionate development, we reduced the accumulation rate and the production targets of iron and steel, coal and other heavy industrial products. We also drastically reduced investment and shortened capital construction front. [HK101135] In order to implement the party's economic policy in the rural areas, we reduced the number of workers by 20 million as a measure to step up agricultural production. These measures helped us gradually readjust the proportionate relations between accumulation and consumption and among agriculture, light industry and heavy industry. The national

economy began to improve in 1962 and make progress in 1965. Statistics show that during the 3-year readjustment period from 1963 to 1965, the gross industrial and agricultural output value increased by an average of 15.7 percent each year, of which industry increased by 17.9 percent and agriculture by 11.1 percent. The national income increased by an average of 14.5 percent. The rehabilitation and development of industrial and agricultural production was followed by an improvement in people's living standards to almost the same levels as 1956 and 1957.

Yet during the Cultural Revolution, Lin Biao and the "gang of four" used the power they had seized, stirred up an all-round civil war and frantically hampered the national economy. They opposed efforts to develop socialist production and to improve people's living standards. They labeled the efforts to promote production as the "theory of productive forces" and attacked efforts to improve the people's living standards as "welfarism" and "revisionism." As a result, all industrial and agricultural production came almost to a standstill, the people's living standards dropped and the national economy suffered unprecedented heavy losses. From 1974 to 1976, the gross industrial output value lost 100 billion yuan, steel output lost 28 million tons and financial income lost 40 billion yuan. The national economy was then on the brink of collapse. This was a punishment for opposing the basic socialist economic laws.

After the "gang of four" was smashed by the CCP Central Committee headed by Comrade Hua Guofeng, measures were taken to settle the account for their ultraleftist line. The party's various policies were implemented and it was decided to follow objective economic laws. These measures helped improve production and backward situations and enabled the national economy to develop again. The gross industrial output value increased by 14.3 percent in 1977. In 1978, the gross industrial output value increased by 13.5 percent, steel production was over 30 million tons and grain output reached 600 billion jin. In addition, the party and the state spared no efforts to improve people's living standards by increasing the purchasing prices of agricultural and sideline products and wages, providing employment and adding living facilities. The long-accumulated problems have thus been gradually solved. But because of the sabotage of Lin Biao and the "gang of four" that lasted for 10 years and because the national economy was seriously out of balance because of mistakes in our works, it was difficult to solve the problems in 2 years. Eventually, the CCP Central Committee decided to readjust, restructure, consolidate and improve the national economy in about 3 years to make it develop rapidly and proportionately. Such measures are in line with the basic socialist economic laws and the laws of systematic and proportionate development.

History tells us that whether or not we can smoothly develop the national economy mainly depends on whether or not we follow the basic socialist economic laws. Our national economy had been seriously out of balance

on two occasions over the last 20 years and we must keep in mind this lesson.

III

The readjustment of the national economy began after the meeting of the CCP Central Committee in April 1979 and after the second session of the Fifth NPC. Enormous work has been done with apparent achievements over the past 6 months to readjust the proportionate relations between accumulation and consumption and among agriculture, light industry and heavy industry, to readjust the proportionate relations within industrial sectors and to improve the people's living standards. But due to various ideological problems, we are still unable to carry out the readjustment smoothly and the achievements we have made are not ideal. Some comrades still do not pay much attention to the basic socialist economic laws, let alone to guide their works with these laws.

The primary ideological problem in readjusting the national economy is that some comrades doubt whether the direction of the work is correct. They have linked the present readjustment with that carried out in the early 1960's. The national economy was developing rapidly in the early 1960's due to decided measures taken at that time. But later some people turned their heads to criticize the "reduction in construction projects" as "right conservatism." Since the current readjustment is being carried out in a better economic situation, some comrades worry that the situation experienced in the early 1960's will appear again this time. Some people have already termed the present readjustment as "reducing construction projects!" Those who are doubtful about the direction of the readjustment are full of worry in carrying out their work. We believe that the main reason for this is that these comrades do not differentiate "leftist" ideology from rightist ideology in the economic front and that the influence of better to be "leftist" rather than rightist has not been completely eradicated. Another ideological problem is that these comrades worry about their personal gains and losses. [HK101138] It must be pointed out that readjustment in the early 1960's was correct and good achievements were made. But under the influence of ultraleftist thinking, this work was later labeled as "reducing construction projects" and "right" deviation. Such accusations were wrong. The current readjustment is aimed at overcoming the serious imbalance in the national economy and promoting production to meet the material and cultural demands of the whole society. No doubt this work is correct.

Another problem concerns the production of goods which are in excess supply and those which are in short supply. Basically speaking, no one is opposed to cutting back on the production of goods which are in excess supply and expanding the production of those which are in short supply. But when the readjustment is carried out in each unit and department, many people say that the goods they are producing are in short supply

and not in excess supply, as if they cannot tell which are in short and which are in excess supply. In fact, whether the goods are in short supply or in excess supply is a reality and cannot be defined according to one's will. The criterion is that the goods must be judged from the point of our present economic situation and the levels of production to see if the goods, considered from the whole national economy, are in line with the demands of the development of production and of improving the people's lives. If the goods are in line with these demands, then they are appropriate. If they exceed the demands they are in excess supply. If they are behind the demands, then they are in short supply. The comrades who regard the goods which are in excess supply as ones which are in short supply are in fact considering the development of production in their own units or enterprises without giving consideration to the present labor force and financial and material conditions of our country and to the reality of the people. If we think that all goods are in short supply, then even if we double the production of steel, it is still far behind some countries with high steel output. As a result our steel output can be regarded as being in short supply. But by so doing we will affect the demands of people's lives. Our readjustment will then fail while production and people's lives will be seriously out of balance. Such a move is very dangerous. Therefore it is imperative, by following the basic socialist economic laws and considering the whole national economic situation and the urgent demands in developing production and improving the people's living standards, to investigate each unit, department and construction project before we determine which are to be cut back and which are to be developed. For example, taken as a whole, there are too many capital construction projects. But there are some exceptions. Some construction projects in agriculture, the textile industry, light industry, electric power and transportation and urban construction projects are still behind the demands; these projects must be developed. In short, we must keep to our direction of developing production and meeting the demands of people's lives and proceed from reality in determining which goods are in short supply and which are in excess supply to insure that readjustment can be carried out smoothly.

The third problem is the pace of the readjustment. Some comrades worry that in readjusting the ratio of the national economy we will slow down its growth. Such thinking is not necessary. In the past, high speed always meant high speed in the development of production, not high speed in improving the people's living standards. Yet according to the basic socialist economic laws, the purpose of highly developing production is to meet the increasing demands of the material and cultural lives in the whole society. Therefore our purpose is not only to highly develop production but also to greatly improve the living standards of the people. Judging from a long-term point of view, the purpose of the present readjustment, the cutting back on the production of goods which are in excess supply and the expansion of the production of goods which are in short supply is to develop production and improve the people's

living standards. Such measures are necessary in order to make more and stable progress.

There is also the problem of waste. Some comrades said that economic readjustment, the cutting back of the production of goods which are in excess supply and the closing down, stopping, merging and changing the purpose of construction projects, will cause waste. In appearance, such measures no doubt will bring waste. But what is the reason for such waste? Can we do without readjusting the national economy? We must understand that the waste has been brought about by Lin Biao and the "gang of four" who opposed the basic socialist economic laws and the laws of systematic and proportionate development. We must also see that the waste has also been created by some comrades who did not follow the basic socialist economic laws, lopsidedly pursued high production quotas, and high speed production and blindly carried out projects and expanded capital construction. For example, some construction projects were carried out before the related resources, hydrogeology and project geology were studied. Other projects were carried out without blueprints or without complete blueprints. Some large-scale construction was carried out with no assurance of fuel, power, raw materials, cement and transportation. [HK101144] Some projects were carried out without giving consideration to the situation of our science and technology and with equipment imported from other countries while others were carried out without first solving the problem of pollution. As a result, some projects are still under construction although they were started many years ago and the so-called "whiskered projects" can be found in many places. Other projects have been completed but still cannot start production because of some irrational situation. Therefore if we do not close down, stop, merge or change these projects for other purposes and if we continue to invest in these projects, we will only make even greater waste. Our purpose of readjusting proportionate relations and cutting back the production of goods which are in excess supply is to stop the waste so as to enable us to use financial and labor power in the projects that are urgently needed, promote production and improve the people's living standards.

According to the basic socialist economic laws, we must correctly handle the following proportionate relations in working out our national economic plans: First, in defining the ratio between accumulation and consumption we must first insure that the levels of consumption will be increased and then decide the rate of accumulation. Second, in using the accumulation, proper arrangements must be made with regard to productive construction and nonproductive construction, that is we must arrange well the relations between "bones" and "flesh." In adding productive construction projects we must also increase the number of nonproductive construction projects. Third, in arranging the proportionate relations among agriculture, light industry and heavy industry we must first arrange the production of agriculture and light industry

that are needed by people's lives and define the rate of growth of agriculture and light industry. The production and growth of heavy industry should be determined according to the demands of the growth of agriculture and light industry. Fourth, the growth of the purchasing power of consumer goods must be in line with the supply of the means of subsistence. The improvement in the lives of the people not only depends on the increase in their purchasing power of consumer goods but what is more important, depends on the supply of the means of subsistence. Otherwise although the people have money they will have nothing to buy and it will not be possible to improve their lives.

Comrade Ye Jienying said in his speech to commemorate the 30th National Day: "The replacement of capitalism by socialism is aimed at emancipating the productive forces and constantly increasing labor productivity so as to meet the demands of people's material and cultural lives. This is the basic purpose of the socialist revolution. After the proletariat seized the state power, particularly after they have established the socialist system, we must persist in shifting our key works to economic construction. We must persist in developing social productive forces in a big way to gradually improve the people's lives." This is a profound experience and lesson summed up from our socialist construction carried out over the past 30 years. We must follow the basic socialist economic laws and the basic purpose of socialist revolution in readjusting the proportionate relations of our national economy and do a good job in the first battle for the realization of the four modernizations and strive for a rapid development of our social productive forces for the constant improvement in the people's living standards.

CSO: 4006

ECONOMIC PLANNING

TENTATIVE SCHEMES FOR ECONOMIC RESTRUCTURING EVALUATED

HK191115 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 1,
20 Jan 80 pp 3-10 HK

[Article by Liu Suinian (2692 7151 1628): "Discussions on the Orientation for Restructuring China's Economic System"]

[Text] The party Central Committee and the State Council have decided to carry out an overall and thorough restructuring of our existing economic management system. The purposes of this restructuring are to adjust the relations of production to suit the development of the productive forces, to work more closely to the objective economic laws and to speed up our socialist modernized construction. This is an important decision which will bring tremendous changes to our economic life and the superstructure. At present, many comrades are putting forward their own plans in the hope of speeding up the process of restructuring. However, people still disagree as to what actually should be done. The major difference is on the question of orientation for restructuring. We should first unify our thinking over this problem. The restructuring of the economic system involves quite a number of areas, each of which is so interlocking that a slight move in one part may affect the situation as a whole. It is really a very complicated matter. If we hastily launch the restructuring without a clear orientation and overall planning, we not only will not achieve the desired results but will also disrupt the economy and give a bad name to restructuring.

We need a popular and extensive discussion and debate on the orientation for restructuring the economic system. If not, we will be unable to unify our thinking and action. Here I would like to express some of my personal views. I invite comrades to criticize and correct whatever shortcomings these views might have.

I. The Major Problems of Our Existing Economic Management System

Our existing economic management system was adopted from the Soviet Union in the 1950's. The system emphasizes centralized leadership by the central authority and practices a vertical management system. Under

this system, the state centralizes the assignment of production and construction tasks, the purchase and marketing of resources, income and expenditure of revenue, the import and export of foreign trade, stipulation of prices and the allocation of labor forces. Corresponding to this is a system of management by administrative means. This kind of system has a positive effect on concentrating the nation's capacities to insure priority construction, rational allocation of resources and regional distributions. It was especially suited to the development of the productive forces during the First Five-Year Plan when the level of economic development was low and the economic structure relatively simple. It had effectively spurred our socialist construction. However, with the development of the economy, the defects of this kind of management system have begun to reveal themselves. Primarily, administrative means have effectively blocked economic connections among enterprises, departments and regions; thus seriously affecting economic coordination. Meanwhile, excessive, over-detailed and rigid control by the central departments has fettered the enthusiasm of the localities and enterprises. Throughout the past 20 years, we have carried out several reforms in the hope of solving this problem. Indeed we have achieved some results and made some advances. But, due to the sabotage and disruptions by the ultraleftist line of Lin Biao and the "gang of four," and also due to our failure to make a timely and conscientious summary of our experiences of reform, we were unable to persist in and popularize some of the better methods, and rectify our errors in time. We invariably failed to locate the crucial problems of our economic system. As a result, we achieved no marked results in our reforms and our economic life remains rigid as well as confusing. The problem of low efficiency has never been resolved thus seriously affecting the advance of technology and the development of the economy.

What we have to deal with now is to locate the defects of our existing system. We have to diagnose the symptoms before we can cure the disease; otherwise, we cannot make up a prescription. There are currently two different views on this problem:

The first viewpoint argues that the problem lies primarily in the failure to handle the relationship between centralization and decentralization properly. For some, there is too little centralization. It was argued that industrial enterprises, especially key enterprises, were mainly in the hands of the locality. The central management departments had too little in their hands to make up a "field army." The locality also controlled a comparatively large proportion of revenue and resources so that the utilization of these resources was too diffused to form a "first." All this, it was argued, has weakened centralized planning and caused a great deal of haphazardness in production and construction. Contrary to this is the argument that there is too much centralization. It was argued that enterprises and revenue that were supposed to be under local control were only nominally so while the actual power was still in the hands of the central management departments.

The authority of the locality was so small that it had to consult higher departments on every issue. This has, it was argued, affected the enthusiasm of the local authorities.

The second viewpoint argues that the problem primarily lies in the failure to handle the relationship between state and enterprise properly and in the excessive use of administrative means to manage the economy. It was argued that whether they were managed by the central departments or the local authority, enterprises were all dependent on the administrative organs. The enterprises could not exist by themselves and play the role of independent economic units. This, it was argued, has fettered the development of the productive forces.

[HK191117] In my opinion, we must acknowledge the existence of problems with regard to centralization and decentralization in the existing system. Primarily, it is the failure to manage properly things which should rightfully be under centralized control. This includes centralized state planning, the important question of proportion, the overall arrangement and planning of the whole country's economic construction, economic and technological policies and so forth. This is especially true in the case of planning. Due to various reasons, there are many instances of failure to work according to economic laws and random management. This has resulted in perennial dislocation with regard to the question of proportion, irrational distribution of productive forces, diffused use of capital and duplications of construction projects. On the other hand, things which should be managed by the local authority, such as agriculture, municipal construction, the development of various local enterprises and allocation of funds, receive much interference from the central departments. The local authority is not allowed to have a free hand in these things. This has obstructed the development of local initiatives. However, the principal problems are still the limitations of enterprise authority, excessive control of planning, failure to bring the law of value into full play and excessive use of administrative means to manage the economy. Such methods of management cannot meet the objective demands of economic development and affect the full expression of the superiority of the socialist system.

First, management of the economy by administrative means is incompatible with the demand for socialization of production. Socialized mass production is an organic entity. There is close coordination between the departments and various links of the national economy. Socialized mass production demands the closest, most rational and timely cooperation among enterprises. If not, it will be unable to function smoothly. The management of enterprises according to administrative divisions and systems will inevitably cut off the horizontal and internal economic connections among enterprises, trades and regions. As a result of such arrangements, there are specific systems for the arms industry, civil industry, central department, local authorities and even secondary

systems within the larger systems. Each of these systems constitutes a single entity. They are mutually exclusive and totally unrelated. Some enterprises even become small societies which have nothing to do with overall utilization or specialized coordination. Everything in these enterprises is handled by conferences and the dispatch of orders. The formalities are many and the efficiency is low. The production projects are many but the output is small and the goods are expensive and of poor quality. Many of the production processes and construction projects are duplicated. This results in serious waste of human, material and financial resources and seriously obstructs the advance of technology and the raising of social labor productivity. With the development of social division of labor, administrative organizations are on the increase and this contradiction becomes more and more intense.

Second, it is incompatible with the complex and changing nature of the national economy to have too many instructive plans from above. The national economy is intricate and complex. Among the enterprises, there are not only the enterprises owned by the whole people but also collective enterprises. The basic units of industry, agriculture, transportation, the construction industry and commerce amount to several millions with countless varieties and specifications of goods. The varying conditions of production and social needs are also subject to constant change. National planning from above can neither link up the production, supply and marketing of our several millions of enterprises, nor can it make speedy response to the ever-changing conditions. Nor does it allow the enterprises to adjust automatically to these changes. In this way, economic affairs become very rigid. It becomes almost unavoidable to have misguided orders and subjectivism. The production, supply and marketing of enterprises often become perennially dislocated. All this results in a serious waste of social labor.

Third, the methods of centralization of income and expenditure, centralization of power and eating from the same pot are incompatible with the demand for getting the greatest result with the least consumption. The economic interests of various departments and enterprises are not dependent on their management performance. Those which do well receive no reward while those which do badly do not have to bear the economic responsibilities. There is no internal motivation nor external pressure to urge the enterprises to improve their management. Within the hierarchical system, everyone is just accountable to the level immediately above them. Furthermore, accountability to planning from above stresses only the value and quantity of the output rather than economic results and efficiency. Many people fail to concentrate their energy on things such as the improvement of quality, increase of the variety of goods, reduction of consumption, reduction of the cost of production, expansion and accumulation, improvement of technology and improvement of labor productivity. Instead, they engage in activities of "promotion" and "competition." They promote production tasks which are not profitable to themselves. They engage in the

promotion of tasks such as increasing profit turned over to the state and transferring resources to other localities. They also compete for investment, new projects, resources, and labor forces. Now there is the additional competition for foreign exchange and foreign technology. There is a saying that "the whole year's work depends on competition. Success in such competition allows initiative throughout the year while failure entails the loss of such initiative."

[HK191119] Why do the problems mentioned above persist for so long? This has to do with our confused understanding of certain theoretical questions. We have long been lacking any conscientious investigation of how to adapt the relationship of production to our present level of productivity and the need for its development. We have overemphasized the reaction of the relationship of production to the productive forces. Many practices of the existing management system have in actual fact surpassed the existing level of productivity. This is contrary to the law that production practices must conform to the nature of the productive forces. We often put too much emphasis on national economic planning so that we begin to think the greater its scope the better. It seems as though any activity not related to planning will give rise to capitalism. Thus, planned management and the use of the law of values are polarized to the extent that the law of values becomes an alien force. It has been argued that since we regulate our economic activities through national planning, there will be no need for the law of value. In actual fact, our economy can only be a planned economy founded on commodity production. National planning can only make various demands, but these demands have to be fulfilled by using the law of value. Just relying on administrative order to handle the economic activities of various departments, regions and even grassroots enterprises is not enough to cope with the intricate and volatile matter of economic relationships. It will certainly be contrary to the objective law of economic development and give rise to the issuing of subjective and misguided orders.

We even regard the whole socialist economy, which includes the economy of ownership by the whole people and collective ownership, as family property of the "guo" [state] family. All activities are to be arranged by the state at will and the state has a free hand to "allocate" all goods. The enterprises are not regarded as independent economic units. Actually the whole economy is just like the human body. It should be an organic entity composed of many organs and cells. Within the body, the nerve center plays a guiding role. But each organ and each cell has its own role to play. When any damage occurs, these independent units can adjust themselves or bypass the nerve center to organize coordinated regulation. If the individual cells have no vitality of their own and cannot play an independent role, the whole organic entity will not be able to survive. Under such all-embracing and rigid planned management, the vitality of our departments, localities and enterprises are stifled. They are not allowed to exercise

self-adjustment within a given sphere. How can our society develop healthily?

II. Several Tentative Schemes for Restructuring the Economic System

Due to differing appraisals of the primary problems involved, there are different views on the form that reforms should take. There are roughly three schemes proposed.

The first tentative scheme is this: With centralized management by the central departments as the main focus, expand the authority of the locality and the enterprises accordingly. Furthermore, within a given scope, adopt certain economic methods and use certain economic means.

The concrete proposal is that: Priority and large enterprises, the production, supply and marketing of which are directed at the nation as a whole, are to be under centralized control. Major production and construction tasks are still to be assigned from above in the form of orders. The principal means of production and consumer goods are to be distributed by the state. The investment on basic constructions, labor force, prices, import and export trade are to be centrally managed by the state. On this basis certain specialized companies are to be established along different lines. The power of self-management is to be expanded. The local authority should be allowed greater financial freedom and given more fluid capital. Furthermore, part of the investment for basic constructions should be in the form of bank credits. To adopt such a program, the central departments have to take over a considerable number of enterprises. The varieties of resources to be put under state distribution have also to be greatly increased. Furthermore, the organizations under the party committees of the various central departments have to be continuously strengthened.

From the perspective of the experience of the First Five-Year Plan, this proposal has certain merits. It is beneficial to concentrating all human, material and financial resources to carry out priority construction. It is also beneficial to overall arrangements within the various trades and support for any backward areas. Meanwhile, from the perspective of the existing economic management level, the limited number of changes required make it simpler to put into practice.

[Words illegible] economic management system. It cannot alter the situation of a large number of departments extending their control downward to form self-contained systems which are mutually exclusive. There are still many contradictions between the state and enterprises, between the central and local authorities, among departments and among different localities. The central organizations are overstaffed, inefficient and are giving out misguided orders. The problems with these organizations have yet to be resolved.

The second tentative scheme is this: While retaining centralized leadership, focus on decentralized management at provincial, municipal and autonomous region level.

[HK191121] The concrete proposal is that: With the exception of railroads, civil aviation, telegraph lines, water transport on the Changjiang, ocean shipping, multiprovincial electricity supply networks, petroleum and gas pipelines, the arms industry, key national scientific research projects and the principal universities; all other enterprise units are to be under local control. Planning should primarily be at the provincial level. There should be a fixed quota or proportion for the revenue turned over to the higher authority. There should be an approved basis for the transfer of resources. Within a given number of years, when there are any shortages or surpluses of goods either in quantity or variety in the various departments and regions, there should be commodity exchange between provinces or between provinces and the central authorities. Alternatively these economic units could regulate their own needs through export trade. There can also be joint ventures between provinces or the establishment of joint stock companies.

The advantage of this program is that it facilitates the overall planning of the locality while the provinces can exhibit their specific process and compete with each other in spurring economic development. It can also solve the problem of the whole nation "eating from the same pot." This is beneficial to increasing the economic responsibilities of the provinces and municipalities.

The problem with this program is that such a system will break the complete and unified national economic system into 29 pieces. This is harmful to overall equilibrium, regional distribution, key construction projects of strategic value, and regional economic coordination and liaison. Regional differences will be further accentuated. This will greatly limit the expansion of enterprise self-management and the adoption of economic means and methods to manage the economy. If everything is done according to economic laws and all the activities of the enterprises are carried out according to economic principles and economic divisions, this kind of management system based primarily on the locality will inevitably be broken down.

The third tentative scheme is this: There should be a clear distinction between economic management and administrative management. There should also be appropriate demarcation between the administrative power of the central and local authorities. The economy should primarily be managed by economic systems and organizations. The self-management of enterprises should be appropriately enlarged. The boundaries between departments and regions should be broken down according to the demand of socialized mass production in order to organize the activities of the whole economy. Under the guidance of national planning, economic management should make full use of economic means and methods. Planned regulation and market regulation should be integrated.

The concrete proposal is this: The central authority should primarily take care of planning, the orientation, principles and policies of economic development, and economic legislation. The local authority should primarily manage the development of various enterprises, services related to the daily life of the people, and urban construction. Under the guidance of national planning, and within a given sphere, enterprises should manage their own human, financial and material resources as well as the production, supply and marketing of their own products. They should carry out independent accounting and assume full responsibilities for profits and losses. Enterprises should stipulate their contributions to the state according to the amount of capital at their disposal. Enterprises should pay taxes to the authority where they were situated as well as to the state. Enterprise performance should be closely linked to the immediate interests of the enterprises and their staff. On the basis of adjustment and consolidation, the shortcomings of enterprises should be rectified. The boundary between departments and administrative divisions as well as that between military and civilian enterprises should be abolished according to the objective needs of socialized mass production and the internal relations of the economy. Nor should the systems of ownership by the people and collective ownership hinder the organization of a number of specialized companies and joint ventures. The state guides, controls and coordinates the activities of enterprises through planning, sundry economic legislation, economic means as well as the necessary administrative means. National planning should encompass management of the principal aspects of enlarged reproduction, production and construction of plans for priority enterprises, the major part of basic construction investment, construction of backbone projects, distribution of principal resources, the extent of wage increases, and the prices of vital goods. The management of these items should be strict. However, there should be as little interference from above as possible. National planning should focus on intermediate and long-term projects. There should be sufficient flexibility in intermediate and long-term planning. Overall equilibrium should be improved and the improvement of economic results and the people's livelihood should be emphasized. Yearly plans should be formulated from the basic level upwards under the guidance of figures set down by the state and upon the foundation of enterprise planning. Democratic management should be strengthened so the workers really feel that they are the masters of the enterprises. The position of economic management staff should be enhanced to bring their role into full play. Social and economic supervision should be strengthened and certain supervisory organizations should practice vertical leadership. Some of the existing professional administrative organizations should be streamlined while some of them should be abolished or amalgamated.

[HK191123] This is a good proposal. It can bring the initiative and enthusiasm of the enterprises and economic organizations into full play. It can also promote the social division of labor, enhance economic results, spur technological advances and fundamentally resolve the

question of eating from the same pot. It can release the central decisionmaking organizations from a lot of red tape so they can concentrate their energy on researching important economic principles and policies, improving overall equilibrium and strengthening planned management. It can also help expose the problems in our economic life as soon as possible and facilitates the adoption of timely measures. Furthermore, it requires the economic organizations at various levels to assume economic responsibilities and help to abolish bureaucracy, commandism, and the issuing of misguided orders. Finally, it can streamline the administrative organizations and reduce the number of administrative personnel.

The problem is that implementing this program requires a great deal of work. Since we have no such experience and our management cadres and management level might not be able to cope with such a sudden increase in the volume, problems might arise. Many people might not be psychologically prepared and there might be various kinds of resistance in the process of implementation.

III. Which Tentative Scheme Should Be Adopted?

Each of the three tentative schemes has its own merit. Each one of them is advocated by some comrades. Which scheme is best suited to the needs of our economic development and more in conformity with objective economic laws? This problem needs further investigation. Here, I would like to air some of my personal views:

The question of how best to manage the socialist economy is a sophisticated problem. The various socialist countries in the world are still in the process of finding out the solution. No country can claim that its system is perfect. However, each one of them has its own merits and experiences of success. We have also gained much experience after several reforms. To determine the orientation of our structural reform, we must summarize these experiences as best we can.

What are the criteria for judging an economic system? In general, we should see whether it conforms to the objective demands of economic development with regard to its organization of the economy, its management system of the distribution of power and its establishment of economic organs. We should also see whether it maximizes the effective utilization of human, material, financial and natural resources. Another criterion is that it should be able to exert control without sacrificing flexibility and have flexibility without leading to confusion. There should also be a smooth flow of goods. Finally, we should assess whether it can bring the enthusiasm of the central and local authorities, enterprises and individual laborers into full play. In short, everything depends on whether such a system can spur the greatest extent of economic development.

Judging by this standard, and in view of the practical problems of our existing system and our low level of socialist production, backwardness of commodity economy, and the coexistence of ownership by the people, collective ownership and a small amount of individual economy, I think the first and second tentative schemes cannot be adopted said to uphold the direction that our reforms should take. The greatest defect of these two tentative schemes is that they still have not transcended the confines of the administrative problem of centralization and decentralization. Twenty years of experience has shown that reforms along these lines cannot resolve the contradiction between economic management and the demands of socialization of production. They still cannot remove the artificial obstacles to economic development. No matter whether management is at the department or local level, or jointly at the central and local levels (this primarily refers to the management of industry), the organic connections in the economy will all the same be broken up. Reforms along these lines will invariably fail to make full use of human, material, financial and national resources. The different parts within the economic system will only block and separate from each other and become independent entities by themselves. The economic systems will still have to rely on administrative methods instead of implementing economic responsibilities. The practice of eating from the same pot will still persist. Furthermore, the massive administrative organizations will be there to stay so that enterprises will not have sufficient authority. This will obstruct liberation of the productive forces. Can the first and second tentative schemes adopt more economic methods and means in addition to those originally intended? It is possible within a given sphere. But this will be greatly constrained because management by administrative means is diametrically opposed to management by economic means. Although they are interconnected and complementary, they also have a mutually exclusive aspect. Management by administrative means handles problems according to administrative authority, division, order of priority and system whereas management by economic means handles problems according to economic division, results, interests, and agreements. They are two different things. Therefore, it is our opinion that the first and second tentative schemes can only be tested in certain localities to get some initial experience. They should not be adopted as the new direction for our structural reform.

[HK191125] I agree with the third tentative scheme because it can resolve the following principal problems:

First, it stresses the expansion of enterprise self-management. This resolves the problem of vitality of the most important social economic cell--the enterprise. As mentioned above, the greatest problem within our existing economic management system is limitation of enterprise self-management. All their activities are dictated by higher authorities. If the guidance of the higher authority is correct, one can still make some contributions. But in the case of the higher authority which is bureaucratic and gives misguided orders, the enterprises will have no

alternative but to comply without resistance. Even if losses do occur, it does not matter since one can find a large number of objective excuses and relegate all responsibility to the higher authority or other units without having to make any evaluation. How can this spur the speedy development of the economy? The enterprise is the basic unit of our economy and the foundation of economic strength of the whole society. It "should be an organic and dynamic entity having strong vitality. Since the strength of the national economy is the sum total of the productivity of the enterprises, the strength of the national economy inevitably depends on the number of enterprises it possesses. More important than this is that it also depends on the extent of vitality of each enterprise just as the strength and weakness of a man depends, in the final analysis, on the vitality of the body cells. For this reason, enterprises should have a given measure of authority over the intensity and selection of the labor force, the subject of labor, and the means of labor." (Jiang Yiwei [5592 0001 5517], "A Basic Problem in Economic Restructuring," RENMIN RIBAO, 14 August 1979) We built up our socialism after achieving the thorough victory of the new democratic revolution over a semicolonial and semifeudal foundation. Our commodity production is still very backward. In the present circumstances with our low level of social productivity and relatively backward socialist public ownership, we must extensively develop socialist commodity production and exchange for the sake of promoting the social division of labor and the transformation of production structures which are "large entities" and "small entities" to socialized mass production. This is also good for adhering to the socialist principle of each according to his ability, distribution according to work. All enterprises should be relatively independent or independent commodity producers established on the basis of public ownership of the means of production. Under the guidance of national planning, we should allow the enterprises a certain measure of control over the aspects of formulating plans, purchasing and marketing of resources, allocation of capital, labor wages, stipulation of prices, and foreign trade. This can greatly stimulate the enthusiasm and initiative of the enterprises, develop social productivity and strengthen the socialist economy.

Second, the emphasis on organizing the economy according to internal economic requirements and divisions has effectively resolved the basic problem of our economic management system, that is, the contradiction between the incompatibility of management by administrative means and socialized production. One of the outstanding characteristics of modern industry is the social nature of production. The production of any goods involves coordination by many departments and enterprises. There are very close organic relations among enterprises. We have over 300,000 industrial enterprises. But these enterprises have in the past been mutilated by the diffusion of authority among central, local, military and civilian departments, offices and bureaus at the provincial, local, county and district level. Each of these divisions has managed its own affairs and each formed its own system. As a result, economic strength

has been diffused and the organic relations between the various divisions have broken down. It is impossible to develop the economy rapidly. The proposed reform program aims at abolishing these limitations. It aims at breaking down the divisions between departments, districts and forms of ownership. Furthermore, it aims at establishing specialized companies and joint ventures which operate in several districts and departments in accordance with fixed relationships between production and economic divisions. In this way, not only will the economic organizations become rationalized but the large number of interrelated measures which need to be introduced in the basic-level enterprises can also be systematized through the companies. This foundation will facilitate better organization of the social economy. The orientation of enterprise management should be one of centralization, specialization and on a unified basis. This is the inevitable trend of socialized mass production and is the objective demand of the acceleration of technological advances. We established over 10 national trusts in 1964 on a trial basis and attained very good economic results. Many capitalist and socialist countries are doing similar things. Furthermore, there are already many multinational corporations in capitalist countries. These corporations are in many respects practicing cooperation on a far greater scale. This practice has been proven to be beneficial to the development of production.

Third, while the third tentative scheme stresses the expansion of enterprise self-management, it also emphasizes the strengthening of centralized national planning and the improvement of overall equilibrium. This can help to avoid the possible haphazardness and factionalism caused by decentralization of power. This will in turn insure the proportionate development of the national economy. Although ours is a socialist country and a socialist society, there are still contradictions between social production and social needs. [HK191127] The contradictions between the parts and the whole, between immediate and long-term interests still have to be constantly and consciously regulated by men. Therefore, we must persist on a planned economy. The state should improve the overall equilibrium of planning based on the overall interests of the national economy and in accordance with the demands of socialized mass production. This will insure the harmonious development of various sectors of the national economy and social production of the various links. It will also insure the relative equilibrium of social production and social needs and the allocation of productive forces according to economically rational principles. Furthermore, it will improve regional distribution and insure that the limited human, material and financial resources are used in the areas where they are needed most. This will lead to the greatest economic return. This is an expression of the superiority of a socialist planned economy and is also an objective demand of the development of socialist mass production and the economy of public ownership. After the expansion of enterprise self-management and the extensive establishment of specialized and joint venture companies, it will be possible for the leading departments of the national economy to tackle

some of the vital problems of overall strategic value since a good deal of the intricate economic affairs will have been transferred downward to the basic level. But on the other hand, if insufficient attention is given to the basic-level enterprises, the state might lose control of them due to too much power at the lower levels. This could cause serious problems or even disrupt the national economy. The countries in Eastern Europe have suffered such setbacks in their structural reforms. Excessive authority of the enterprises coupled with a lack of planned guidance by the state has resulted in many problems such as over-extension on the basic construction front, increased unemployment, inflation and imbalance in foreign trade. Therefore, the central authority should at all times tightly control items such as intermediate and long-term national planning, the orientation and objectives of national economic development, keeping matters in proportion, economic growth rate, the level of development of principal industrial and agricultural products, the scale of basic construction, regional distribution, the improvement of the level of the people's livelihood, and vital economic and technological policies. We should never neglect planned guidance while we are talking about structural reforms and the law of value. The third tentative scheme truly combines our own experience of reform and that of other countries. It avoids the mistake of jumping from one extreme to the other. Of course, it does not mean that once centralized national planning is implemented there will be no great problems in the national economy. This has not been our experience. The whole thing still depends on whether we can formulate plans which are correct, scientific and conform to objective economic laws. This is the most important thing.

Fourth, the third tentative scheme stresses the importance of the law of value and the use of economic policies and means to harmonize the interests from all quarters so as to insure the fulfillment of national planning. This will resolve the problems of the integration of planning and flexibility, extensive planning and limited freedom; and achieve centralization with rigid control, flexibility without leading to confusion. In the past, we always wanted to make comprehensive plans so that all activities would be encompassed in the direct planning of the state. Our practice has proved that this is impossible and contrary to objective laws. It is possible to bring all social economic activities into a centralized plan only after every means of production has been socialized. If we force our hand prematurely, it will only disrupt the economy and make our work more and more passive and the livelihood of the people more and more uncomfortable. Now the tentative scheme aims at the integration of planned regulation and market regulations. The principal aspects are to be regulated through planning while the general aspects are to be regulated by market forces. Those aspects which are regulated through planning, with the exception of the few that have to be directly planned, should generally be regulated through economic methods and policies such as value, tax, profit, and the contract system. We should not rely solely on administrative orders. This, in

fact, is the restoration of some of the practices of the First Five-Year Plan. Experience has shown that this is not only beneficial to the fulfillment of planning but can also prevent faults in planning and restrain some of the misguided directives. Of course, there will still be the need for administrative means. This cannot be abolished at all times. However, the exercise of administrative power should conform to objective economic laws and decisions must be made through collective economic laws and collective discussions rather than by the order of one man. Generally, the type of administrative formula will be increasingly expressed through various legislation. There will be many laws and decrees of this kind such as regulations for finance, banking, planning, statistics, contracts, companies, factories, shipping, foreign trade, labor, property, prices, and so forth. Economic courts should also be set up to handle economic problems according to law.

Fifth, the third tentative scheme has advocated the separation of the administrative system from the economic management system. This will fundamentally resolve the problem of the party taking over the role of the government and the government taking over the role of the enterprises, which has confused the role of the party, the government and the enterprises. Then our party committees at various levels can concentrate their energy on improving our party's ideological and organizational construction. [HK191129] This will enable them to play a better guiding role in broad issues such as political orientation, lines and policies. It can make Comrade Mao Zedong's idea of "constitutional monarchy" a reality. The central authority will only take care of the general aspects while the local authority will take care of aspects such as education, cultural and medical affairs, urban construction, and services related to the daily livelihood of the people, whereas the work of specific economic organization should be left for the economic systems to manage. This will resolve the problem of some administrative officers giving out misguided orders which cause serious loss to the economy without having to bear the economic responsibility.

These five points are crucial. We can only analyze and illustrate the merits of this tentative scheme from a general perspective. There might be many problems if this scheme is really formulated into a concrete program. There might be even more problems if it is actually put into practice. For instance, the ideas of capitalist operation might come to the fore, the number of speculators might increase, regional differences and disparity of workers' income might be excessively large, certain enterprises in economically backward areas might be eliminated, and there might be fluctuation in the mobility of workers. There might even be other unexpected problems. It is impossible for us to find any failsafe system or reform that poses an ultimate solution. It is normal to have problems. We should not make a fuss of it nor should we allow those who oppose reform to come out and negate the need for it. The most important thing is that when problems do arise, we should face them and conscientiously analyze, investigate and

improve them so that the reform program will continually be perfected. Then we can go from victory to victory in our reforms.

IV. How To Implement Reform In This Direction

The tentative scheme mentioned above is a very big reform. It involves the adjustment of economic interests in every sphere and the shift of management authority. Various policy constraints should be established. The styles of thinking and work of economic personnel must be changed accordingly. Such personnel have to start studying anew. This is a profound revolution within the spheres of the economic base and the superstructure. We will inevitably meet various new problems and resistance from various quarters. Such reform cannot be fulfilled within a few years. We should have the greatest determination to carry out the reform unswervingly. And, under the proper leadership, we should proceed step by step in a down-to-earth manner.

How can the fulfillment of this scheme be insured?

First, we should have strong leadership. Some comrades do not know how arduous and intricate this job is. Sometimes they think that everything can be solved simply by issuing a document or making an appeal. This will not work. In order to do a good job, the various areas concerned must have considerable authority and those who are convinced of reforms should take the lead. They should absorb themselves in investigating the actual conditions to resolve the concrete problems one by one. Otherwise, it will be very difficult to promote such reform work. In several countries, such reforms have been led by responsible persons in the party and the government. Even so, there has still been considerable resistance. Sometimes, for the sake of extending reform, certain organizational measures have to be adopted even if certain cadres have to be removed.

Second, there should be much publicity to enhance understanding and unify thinking. The principal problems of the existing economic system must all be exposed so that everyone will know that we have come to the point where failure to reform will affect the advance of socialist modernized construction. We should unify our understanding of the orientation of structural reform. Structural reforms abroad invariably started with a period of extensive discussion which usually took 2 or 3 years. The reason for this is that, on the one hand, this problem is very intricate and needs collective wisdom; and on the other, such discussion aims at unifying thinking and understanding so as to allow more people to participate in reform work enthusiastically. We should carry out patient persuasion of those who stick to the old ways and refuse to change. We should also demonstrate the necessity and correctness of reform by its results.

Third, a concrete reform program should be formulated and the various reforms should be well prepared. It is not enough just having a guiding principle for reform. There should be a concrete reform program and measures of implementation to work toward the desired direction. Therefore, the first problem to be solved in structural reform is how to improve the functioning of the economy. Thus, the reform program must be so all-embracing that it includes the systems of planning, resources, finance, labor, prices, industry, agriculture, commerce, and foreign trade. All these systems should be fully integrated. If everyone looks after their own interests, it will be very difficult for the machinery of the national economy to function. Meanwhile, various preparations for the reform should be made. These include the formulation of a variety of comprehensive economic policies, legislation, stipulation of programs for the adjustment of prices and reform of the tax system, training of cadres and strengthening of the planning organs, statistics, banking, finance and revenue, and prices. All these are basic work. Without them, reforms will only be empty talk.

[HK191131] Fourth, the first step of structural reform should be built on a sound basis and experiments at selected points should be carried out properly. A thousand-mile journey is started by taking one step. We must commit ourselves to action. The way we take the first step has great significance. Basically, the first step of reform must conform to the overall orientation. At present, there is still the problem of the relationship between reform and readjustment. From the perspective of the national economy, we must first stress the work of readjustment of the national economy and readjust and consolidate the enterprises properly. This aims at bringing the national economy back into the orbit of well proportioned development as soon as possible and provide a normal production procedure and a sound basis of work for the basic-level enterprises. These will provide the necessary conditions for overall reform of the economic system. On the contrary, if we proceed with extensive reform hurriedly before the economic dislocation has been restored, not only will the reform not fall into place smoothly, but the overall layout of readjustment will be upset and the national economy will be unduly harmed. Of course, for the sake of readjustment, we should enthusiastically reform those aspects within the system which should be and can be reformed. This aims at solving the practical problems involved. However, our emphasis should be placed on experimentation in selected areas. Firstly, we should experiment on the expansion of enterprise self-management. Secondly, we should experiment with the establishment of specialized companies and joint ventures. Thirdly, we should experiment with the integration of market regulations. We should continuously sum up the experiences that arise in our experimentations and popularize them. This is the basis on which we should further our overall reforms. Only thus can our structural reform develop healthily.

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ECONOMIC PLANNING

PROBLEMS OF WORKER-PEASANT ALLIANCE DISCUSSED

HK131153 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 1, 20 Jan 80 pp 43-56 HK

[Article by He Zhiping [6320 5268 1627] and Yang Jianbai [2799 1017 4101]: "Some Problems of the Worker-Peasant Alliance--Reflections After Studying the Two Important Documents of the Center on the Problem of Agriculture"]

[Text] 1. The Worker-Peasant Alliance Is the Basic Problem of the Relationship Between the Party and the Peasants

The two documents of the party Central Committee concerning the problem of agriculture (hereafter called the "documents") assessed the experience of our country's agricultural production since liberation. They advocated respect for the autonomy of the peasants' collective economy, safeguards for the democratic rights of the peasants acting according to the objective economic laws and implementing the principle of "to each according to his work." They also brought forth measures for the development of the economy, culture and education in the rural areas. They constituted a significant policy decision leading to the modernization of our country's agriculture.

In order to achieve the great goal of agricultural modernization, we must take the consolidation of the worker-peasant alliance as an important issue in our work in the rural area. The "documents" repeatedly mentioned the strengthening of the worker-peasant alliance. Thus, they have indeed grasped the essence of the problem. We think there is a need to discuss this problem on the high plane of theory and principle, using it as the core in assessing our experience in implementing the party's policy concerning the rural area during different stages of the development of our revolution.

When appraising the experience of the Paris Commune, Marx noted that one of the main reasons why the commune failed was the fact that it did not have the support of the peasants.

During the Russian revolution, Lenin consistently stressed the great significance of the worker-peasant alliance. He said, if the vanguards of the revolution do not integrate with the peasant masses, they will forfeit the revolution. After the October Revolution, Lenin again pointed out: With regard to the most important and most basic problem of socialist revolution (from a worldwide perspective), what is the most important thing? "The most basic, most important problem (of socialist revolution) is the problem of relationship between the working class and peasants, or the problem of alliance between the working class and peasants." (Lenin: "Ninth All-Russian Congress of Soviets," "Collected Works," Vol 33, p 128)

Stalin also considered the problem of the relationship between workers and peasants to be the basic problem in the construction of a socialist economy, and a matter of life and death for the Soviet republic.

The series of theoretical formulations by authors of Marxist classics constitute the theoretical foundation guiding our revolution. In its essence, our national democratic revolution was a peasant revolution under the leadership of the proletariat. We won the revolution through peasant war led by the Communist Party. Comrade Mao Zedong always attached great importance to the peasant problem and the problem of the worker-peasant alliance. After liberation, he stated time and again that the problem of the Chinese revolution was always the problem of worker-peasant alliance. If the working class did not form a solid alliance with the peasants, they could not construct socialism. Our revolutionary practice has totally proven the validity of Comrade Mao Zedong's thesis.

The worker-peasant alliance in our country during the period of democratic revolution was founded on land reform. Except for the period of the anti-Japanese war where in order to win over the landlord class to the cause of resistance the policy of rent reduction and interest reduction was enforced for a time, our party led the peasants to confiscate land of the landlords and redistribute it among the peasants. This policy of "land to the tiller" totally eliminated the feudal system, and totally conformed to the economic interests of the broad masses of Chinese peasants. Because of that, the party enjoyed very high prestige among the peasants. Thereafter, the worker-peasant alliance in our country was consolidated and the working class won victory in the democratic revolution with the support of the peasants.

In the period of transition to socialism, the worker-peasant alliance in our country was built on the basis of cooperativization of agriculture. In order to prevent the development of agriculture from taking the capitalist road, the party led the peasant masses in collectivizing agriculture and advancing toward socialism. The collectivization of agriculture enhanced the peasant's capability for developing agricultural production and resistance against natural calamities. It also

prevented the polarization of the peasants into rich and poor and enabled the great majority of peasants to be lifted out of poverty and improve their livelihood. As a result, the party further enjoyed the confidence and support of the peasants.

[HK131155] After the accomplishment of the three great transformations, the worker-peasant alliance in our country has since been built on the basis of commodity exchange, industry's support for agriculture and the achievement of agricultural modernization. Our party's peasant policy has been to collect agricultural taxes and procure surplus grain. The procurement of surplus grain is in itself a commodity exchange. But in the past, because it was then during the height of the revolutionary war or revolutionary movements, and the central task was to solve the problem of the collectivization of agriculture, the question of commodity exchange was not yet prominent. After the accomplishment of the collectivization of agriculture, the basis of strengthening the worker-peasant alliance lay in economic support centering on commodity exchange. This meant giving the peasants material benefits, raising labor productivity in agriculture, and enabling peasants to obtain more material and cultural goods in life.

Commodity exchange between workers and peasants means the implementation of a rational price policy based on the principle of exchange of equal values and narrowing the "price scissors" between industrial and agricultural commodities. This has been the objective requirement of economic development. The experience of our country and other countries has borne out the fact that whether or not this principle is implemented in socialist economic development is the crucial factor that determines whether the worker-peasant alliance can be consolidated. In 1958, we made the leftist mistake of high targets, high procurement quotas and "communist wind." That seriously infringed upon the peasants' interests and adversely affected agricultural production. After rectification and implementing the "Work Regulations of the Rural People's Commune (Revised Draft)" (that is, the "Sixty Articles"), the system of people's communes was consolidated and agricultural production rose considerably. The tense relations between workers and peasants was alleviated and a normal development of the worker-peasant relationship was restored.

During the Cultural Revolution, the ultraleftist line of Lin Biao and the "gang of four" once again damaged the worker-peasant alliance and resulted in serious disruptions in agricultural production. The prestige of the party among the peasants went down. The peasants "reported for duty without really exerting themselves." A state of nationwide go slow actually existed. This was the most obvious manifestation of the damage done to the worker-peasant alliance. To realize and acknowledge this fact is indeed painful, but to deny it, or even cover it up would be dangerous.

After the smashing of the "gang of four," the party Central Committee headed by Comrade Hua Guofeng attached great importance to peasant problems and problems of agriculture. It has rectified the errors of the past so that conditions in the rural areas have improved. After the two important documents of the Central Committee concerning the problems of agriculture were transmitted to the lower levels, the effects were more apparent. The prestige of the party among the peasants has greatly grown.

In the past 30 years, the worker-peasant alliance in our country has taken the tortuous road of two rounds of ups and downs. The positive and negative experiences stand in sharp contrast. Historical experiences have amply shown that the question of how to deal with the worker-peasant alliance is a basic problem affecting the success or failure of the revolution and determining whether socialism could be built and whether the four modernizations could be achieved. Politically speaking, peasants are the most reliable allies of the working class. Our country is a dictatorship of the proletariat under the leadership of the working class and with the worker-peasant alliance as foundation. Economically speaking, agriculture is the foundation of our national economy. The 800 million peasants under the system of collective ownership are the main force in our country's agricultural production. If we lost the peasants and damaged the worker-peasant alliance, then we would lose our political and economic base. Therefore, the consolidation of the worker-peasant alliance is an important basis for developing agricultural production and strengthening the dictatorship of the proletariat. Without a strong worker-peasant alliance, there would not be a strong dictatorship of the proletariat; without the rapid development of agricultural production and the raising of the level of the material and cultural life of the peasants, there would not be a strong worker-peasant alliance. This is the basic lesson we learned from 30 years of experience in rural work. To assess the experiences in this aspect, and to pay attention to and correctly utilize lessons learned from our experiences in the process of building our country into a modern socialist power will have very great significance for the successful achievement of the four modernizations.

[HK131158] II. "Transition Notwithstanding Poverty" Had Damaged the Worker-Peasant Alliance

Stirring up the "communist wind," enforcing egalitarianism and the indiscriminate transfer of resources and advocating "transition notwithstanding poverty," such were the damages done by Lin Biao, Chen Boda, the "gang of four" and company to agriculture. These measures also reflect their petty-bourgeois ultraleftist thinking which greatly infringed upon the economic interests of the peasants. They seriously damaged the worker-peasant alliance and this resulted in a long period of stagnation in agricultural production.

After the cooperativization of agriculture, there were two gusts of "communist wind" in the rural areas. The first one was in 1958. Chen Boda advocated "immediate transition" and vigorously enforced egalitarianism and indiscriminate transfer of resources in the rural areas. Free meals were provided and pilot projects of "communism" were launched. He wanted to achieve the transition to "communism" in a few years' time. The other "communist wind" started in 1970 when Lin Biao and the "gang of four" stirred up a "wind of crash merger of production teams for the transition to communism." After Lin Biao blew himself up, the "gang of four" pushed for "transition in the spirit of the paupers." These political swindlers appeared as ultraleftists and deliberately created chaos in order to seize the opportunity of fishing in troubled waters to attain their goal of usurping party and state power. This is not surprising. What is surprising is the fact that their ultraleftist ideas actually found a market among a considerable number of cadres (including some leading cadres) and was implemented in quite a few areas. Moreover, they continued to spread in some areas even after the fall of the "gang of four," until the third plenum of the 11th party congress. One reason is that people of petty-bourgeois origin account for a large proportion of our ranks, and the petty bourgeoisie is the class most ready to accept ultraleftist ideas. Another reason is the very low ideological level of many of our comrades. Their ability to tell truth from falsehood is inadequate. In order to rectify ultraleftist thinking completely, we must clear up the following problems ideologically and theoretically:

1. The Pseudo-Socialism of the "Gang of Four" Is a Reaction Against Scientific Socialism

"Transition in the spirit of the paupers" advocated by Chen Boda, the "gang of four" and others appeared to be revolutionary but was actually pseudo-socialism.

Production relations must be suited to the nature of productive forces. This is an objective law independent of people's will. It means that when existing relations of production become a fetter to the productive forces and an obstacle to the development of social production, then the old production relations must be changed through a social revolution, and new production relations must be established to liberate productive forces and push forward the development of production. When production relations are basically compatible with the requirements of the development of productive forces, then the relative stability of such production relations must be maintained in order to facilitate the development of social production. But when the material conditions are not yet present or have not been formed, new and higher forms of production relations still cannot be established. Indeed, Marxism also believes that even when productive forces have not developed to a level capable of attaining socialism, as long as the revolutionary forces are capable of driving away the landlords and

capitalists, revolutionary measures could be taken to achieve the prerequisites for reaching such a level. Then, through the vigorous development of productive forces under the dictatorship of the proletariat, a strong material base from which to march on to socialism could be built. (Lenin: "On Our Revolution," "Selected Works," Vol 4, pp 691-692) This is the revolutionary line of Leninism. This was done in the October Revolution in Russia, and it was also done in our country's revolution. If so, then could our rural areas achieve "transition notwithstanding poverty" under the present conditions wherein the level of productivity is not high enough--could we achieve transition from small collectives to big collectives? No. The aforementioned Leninist line pertains to seizing political power from the bourgeois class and then developing productive forces vigorously to make the transition to socialism, but "transition notwithstanding poverty" means the poor production teams' "communizing" the "properties" of the richer teams. It is expropriating the peasants' fruits of labor. These two matters are totally different in nature. If we disregard the level of productivity, go against the law concerning production relations corresponding to the need of the productive forces and insist on "helping the shoots grow by pulling them upward" or "transition notwithstanding poverty," the result will only be the disruption of social production. The two instances of "communist wind" or "transition notwithstanding poverty" in our country are typical examples of this kind of error.

[HK131202] The transformation of agricultural production relations under collective ownership, whether it be transition from small collective to big collective (from production team to production brigade to people's commune), or transition from big collective ownership to higher forms of ownership, must take the level of development of productive forces as a basic precondition. Otherwise, too much of a rush toward transition, or arbitrary transition could only mean the exploitation of the peasants. Such actions would necessarily meet with resistance from the peasants and be boycotted by them.

At present, the level of agricultural productivity in our country is still very low. It basically consists of manual labor. There is only a simple form of coordination among workers. If we make an analogy with the stages of development of industry, we can say that our present production teams are still at the period of "workshop handicraft industry." It was precisely on the premise that the actual level of productive forces was low that the party Central Committee decided that production teams should be the basic accounting unit in our people's communes. If we would like to change this production organization, the only way is to work hard at developing production, make the peasants prosperous as quickly as possible and accumulate more capital for the achievement of the modernization of agriculture. In the process of modernizing agriculture, the gap between production teams will be closed. Then, small-scale production teams will not be suitable for undertaking large-scale production. Only then will the

conditions be ripe for the transition to a new form of organization to correspond with the development of the productive forces.

2. Equalitarianism Is a Great Enemy of Socialism

We live in a country where the small peasant economy predominated when the proletariat seized power to undertake a socialist revolution. Therefore, many people usually mistake equalitarianism for socialism. They think the more equalitarian, the more revolutionary. This is one important reason why the "communist wind" became so widespread in our rural areas. In reality, not only is equalitarianism not socialism, it is also harmful to socialism and totally incompatible with socialism. Stalin once said: "Equalitarianism owes its origin to the individual peasant type of mentality, the psychology of share and share alike, the psychology of primitive peasant 'communism.' Equalitarianism has nothing in common with Marxist socialism." (Stalin: "Talk With German Author Emil Ludwig," "Works of J. V. Stalin," Vol 13, p 105) Comrade Mao Zedong also pointed out: Absolute equalitarianism is the product of a handicraft and small peasant economy. It is a mere illusion of peasants and small proprietors. (Mao Zedong: "On Correcting Mistaken Ideas in the Party," "Selected Works," Vol 1, p 89)

Of course, we must also analyze equalitarianism with the historical materialist viewpoint. In feudal society, equalitarianism reflected the peasants' desire for revolution. It was a weapon that encouraged the great masses of peasants to struggle with the feudal landlord class. Therefore, during that period, equalitarianism was a progressive ideological demand of the peasant revolution. In the period of democratic revolution, our party adopted the policy of equal distribution of land instead of wholesale nationalization. This was done as a concession to the peasants in order to strengthen the worker-peasant alliance and to give in to this ideological demand of the peasants. However, in the period of socialism, equalitarianism has become a reactionary, backward thing. This is because in feudal society, the equalitarianism of the peasants pertained to the demand for the equal distribution of land and property of the landlord class. Its target was the exploiting class. But in socialist society, pushing for "transition notwithstanding poverty" and stirring up the "communist wind" mean the poor production teams could appropriate the properties of the richer teams, and is tantamount to an equal distribution of the wealth and fruits of labor of richer teams. In terms of distribution, equalitarianism would mean an unequal amount of labor getting equal pay, which in reality amounts to those who perform poorly in their job appropriating the labor of those who work well. Such a form of equalitarianism has the working people themselves as targets. It is a form of exploitation of the working class. Its effect is that it hits at the advanced elements, encourages the backward elements; and hits at the hardworking while encouraging the lazy. It is a corrosive that hampers socialist construction.

3. Peasants Should Not Be Expropriated

The emergence of those phenomena detrimental to production and to the worker-peasant alliance such as "equalitarianism and indiscriminate transfer of resources," "communist wind" and "transition notwithstanding poverty" in our country, in the final analysis, all run counter to the principle against the expropriation of the peasants.

[HK131204] Socialism, in order to socialize the means of production, had to "expropriate the expropriators." But the peasants are not exploiters. How should we treat the peasants? Engels said: With regard to small peasants, we should never try to hasten their doom by any interference on our part. "When we are in possession of state power we will not even think of forcibly expropriating the small peasants (regardless of whether we are compensated or not), as we will have to do in the case of big landowners. Our task relative to the small peasant consists, in the first place, in effecting a transition of his private enterprise and private possession to cooperative ones, not forcibly but by dint of example and through social assistance for this purpose." (Marx and Engels: "The Peasant Question in France and Germany," "Selected Works," Vol 4, p 310) Lenin in "On the Cooperatives" also affirmed this principle and emphasized particularly the role of volunteerism and encouragement.

Looking at the historical experience of the international communist movement, the Soviet Union made some mistakes on the question of the collectivization of agriculture. During the early period after the October Revolution, the Soviet Union experimented on different organizational forms of the collectivization of agriculture. The dominant thinking then was oriented toward the development of "agricultural communes" or establishing big communes and implementing socialization of distribution, such as eating in big messhalls, living in collective dormitories and other methods. This type of commune met with the passive resistance of the peasants, so Lenin stopped it. Later, the organizational form of labor grouping in agriculture was affirmed and that became the collective farm that was widely developed during the First Five-Year Plan. However during the process of collectivization, the Soviet Union transgressed the interests of the peasants by socializing even the small courtyards, dwellings and individually raised poultry and livestock which should not have been socialized. This caused great anxiety among the peasants which led to a reduction in grain production and a serious drop in livestock production. It was not until March 1930 when Stalin made a speech entitled "Dizzy With Success" that this erroneous tendency was stopped.

The Central Committee of our party and Comrade Mao Zedong assessed the lessons from the experience of the Soviet Union. In the process of the collectivization of agriculture in our country, taking into account the objective condition of a very low level of agricultural productivity,

the policy of gradually advancing from mutual aid teams to elementary agricultural producers' cooperatives to advanced agricultural producers' cooperatives was adopted. When the high tide of the collectivization of agriculture came, although the strides we took were a little too big and too fast, and the principles of volunteerism and setting up models first were not implemented well, at least the phenomenon of equalitarianism and indiscriminate transfer of resources did not exist. After cooperativization, there was a relatively rapid development of agricultural production. The peasants were pleased and encouraged. But in the process of organizing into communes, we repeated the mistakes of the Soviet Union which resulted in rampant "communist wind." Afterwards, after readjustment, the party Central Committee formulated the "Twelve Articles" which were later expanded into the "Sixty Articles," and these rectified past erroneous tendencies. At the same time, the central authorities stipulated explicitly the system of three-level ownership by the commune, the production brigade and the production team, with the production team as basic accounting unit, stipulating further that such system would not change for at least 30 years. With regard to private plots and household sideline occupation, the correct policy of no change for a long period of time was affirmed. However, these principles were later trampled on repeatedly. During the Cultural Revolution, because of the interference of the ultraleftist line of Lin Biao and the "gang of four" these policies were even more seriously violated. Many of our comrades did not understand the principle against the expropriation of the peasants. Some of them even considered those absurd and evil methods contrary to the economic interests of the peasants to be revolutionary. They were unwittingly harming the worker-peasant alliance.

[HK131216] III. "Cut Off the Tail of Capitalism" Is an Absurd Slogan

The slogan "cut off the tail of capitalism" was brought out in 1958 when the "communist wind" was stirred up. Although the "Sixty Articles" had already rectified errors in this aspect and affirmed the policy that there would be no change for private plots and household sideline occupation for a long time, under the instigation of Lin Biao and the "gang of four," past mistakes were again made, and the damage done was much more serious. The real meaning of capitalism was then still a muddled concept in many people's minds and many erroneous ideas and actions grew from this. Taking all private plots and household sideline production under the collective economy to be tails of capitalism and cutting them off was the most obvious manifestation of lack of understanding of the true meaning of capitalism. Do private plots, household sideline occupation and trade fairs all belong to the category of capitalism? We must first be clear about the meaning of capitalism. Stalin said: "Commodity production leads to capitalism only if there is private ownership of the means of production, if labor power appears in the market as a commodity which can be bought by the capitalist and exploited in the process of production, and if, as a

result, the system of exploitation of wage workers exists in the country. Capitalist production starts in such a situation, that is if the means of production are concentrated in the hands of private persons, and the workers deprived of means of production have to sell their labor power as a commodity. Otherwise, there cannot be capitalist production... We must know, our society is one where the system of private ownership of means of production, the system of wage labor and the system of exploitation do not exist anymore." (Stalin: "Economic Problems of Socialism in the USSR," "Selected Writings," p 581) Stalin clearly stated, without wage labor there would be no capitalist production. Our country is like what Stalin said: "A society where the system of private ownership of means of production, the system of wage labor and the system of exploitation do not exist anymore." Private plots of members of the people's commune are very limited plots of land reserved for commune members to supplement their needs and enrich their lives. Commune members only use simple tools to do productive labor on the small private plots after they have done their share in collective labor. Household sideline occupations also consist of manual labor using simple tools. These have nothing in common with capitalist production. When the commune members take some of the products of their labor to the country fair for commodity exchange in order to fill in some gaps in their needs and help supply each other's needs, it is different from commodity exchange under capitalism. These economic activities are complementary to socialist economic activity and not a tail of capitalism.

When people talk about this problem, they often quote what Lenin said about small production's engendering capitalism continuously, daily, hourly, spontaneously. What Lenin was talking about then was the spontaneous petty-bourgeois forces connected with capitalism under the Soviet regime. During that time, the small producers in Russia were not organized into collectives and the forces of capitalism were still very strong. But the actual situation in our country is not like this. The private plots and household sideline occupations of our peasants are forms of limited individual economy existing side by side with the collective economy. It is not an ordinary small peasant economy, but a supplement to socialist collective ownership. Even if we call these limited operations small production, they still do not possess the necessary conditions to develop into capitalism. They are based on the peasants' own labor, and moreover, based on individual labor after their share of collective labor is done. They do not make use of wage labor and the method of production is limited to the use of simple manually operated tools. The exchange of products of this type of labor could never breed capitalism. To term these "tails of capitalism" is to confuse facts. As to the possibility of some people illegally buying up goods to make a profit by reselling them at trade fairs (which is inevitable wherever there is commodity exchange and money economy), this should not be confused with the normal trade fair of the peasants.

In short, the present level of productivity in our country is very low. The collective economy cannot yet satisfy all the needs of the peasants. That is why private plots, household sideline occupations and trade fairs should be allowed to enable the hundreds of millions of peasants to supply each other's needs and self-reliantly satisfy their needs that could not be satisfied by the collective economy. If we do not start from this fact of life and insist on cutting them off as "tails of capitalism," then we would actually be disrupting rural sideline occupations, reducing the peasants' income and lowering the peasants' living standard. It would be detrimental to the worker-peasant alliance and the socialist economy. This kind of erroneous measure would naturally meet the opposition of the peasants.

[HK131324] IV. Assess the Experiences in Procurement and Pricing, Strengthen the Worker-Peasant Alliance

The worker-peasant alliance during the period of socialist construction is in essence an economic alliance based on commodity exchange.

The general principle for commodity exchange is the exchange of equal values. Therefore, the amount of farm produce requisitioned by procurement and their prices directly influence the consolidation of the worker-peasant alliance. The question of whether we have dealt with the worker-peasant alliance correctly should be tested by practice. Even if the policy is correct, if the amount requisitioned is too high, it will deprive the peasants of food grains; or if the pricing is such that the prices of industrial products are very high while those of farm produce are very low, then the "supertax" drawn from the peasants will be too much. This will inevitably damage the worker-peasant alliance and affect the enthusiasm of the peasants for production.

Comrade Mao Zedong always attached great importance to the question of the amount of procurement and pricing. As early as the period of war of resistance against Japan, in an article entitled "Economic and Financial Problems in the Anti-Japanese War" he opposed "draining the pond to catch the fish." After liberation, he constantly stressed giving consideration both to the interests of the state and those of the peasants. In the article "On the Ten Major Relationships" he pointed out: Our relations with the peasants have always been good, but we made mistakes on the question of grain. He admonished the whole party to bear this lesson in mind. On the question of prices he put forward the proposal of adopting the policies of narrowing the "price scissors" and of exchange at equal or roughly equal values. (Mao Zedong: "Selected Works," Vol 5, pp 273-234 [sic])

But these important teachings of Comrade Mao Zedong have not been seriously implemented in our actual work. From 1957 to 1977, grain production in our country grew by 175.4 billion jin. During the same period the population grew by 299 million. Per capita grain production in 1977

was only 598 jin, 5 jin short of the 1957 level. At the same time, in this period, the amount of grain used for fodder and industry also increased. Consequently, food grain for the peasants was actually reduced. In some areas, food grain for a peasant in 1 year averaged less than 300 jin. To let the peasants work when they do not have enough food makes it impossible to mobilize enthusiasm for production and consolidate the worker-peasant alliance.

The grain policy in our country consists of collecting taxes in the form of grain and the procurement of surplus grain. The net agricultural tax collected usually ranges from 15 percent to 20 percent. In some years it has exceeded 20 percent. The most prominent cases were in 1959 and 1960. Grain production actually fell in those 2 years. But because exaggeration and fabricated reports were the order of the day, taxing according to the reports naturally meant depriving the peasants of food grain. After 1961, the rate of taxation and procurement became basically stable and was even reduced a little. However, because of the rapid growth of the population, the peasants' livelihood has remained relatively poor.

After liberation, although agricultural prices have been raised several times, the "price scissors" between industrial and agricultural products still exist. The third plenum of the 11th party congress decided on another price increase, and this has been implemented. Undoubtedly, this will promote the development of agricultural production. But problems in this aspect still deserve careful study. Only after the bad effects of the "price scissors" have been eliminated and the relationship with the peasants has been improved can the worker-peasant alliance be further consolidated.

For a long time, the price structure in our country has not been compatible with the law of value. The pricing system has not tried to make prices compatible with value. Instead, prices are seriously divorced from actual value. Thus, many irrationalities in pricing still exist in industrial products, in agricultural products and in price parities between industrial and agricultural products. Take the relationship between industry and agriculture. When the procurement price of agricultural products is low but the costs of the means of agricultural production are high, this adversely affects the distribution of income among commune members and the accumulation of capital in the collective economy. This is one reason why income does not increase even if production increases in some production teams. Collective distribution of income among the peasants is the same nationwide. In the past few years, the average income of a peasant has been just over 60 yuan. Peasant income was raised a little only after the bumper harvest in 1978. The rate of collective accumulation in communes is also very low. Annual capital accumulation in production brigades all over the country averages less than 10,000 yuan. Average capital accumulation for expanded reproduction per mu of land is less than

5 yuan. A lot of production teams could only barely maintain simple reproduction. [HK131333] This situation is not only detrimental both to the development of agriculture and to the consolidation of the worker-peasant alliance, but also to the achievement of the four modernizations.

We often take the slow development of agriculture in the Soviet Union as a warning. But in reality, we have not really learned our lesson. Let us look at the past record of the Soviet Union:

From 1928 to 1953, per capita grain production in the Soviet Union averaged over 420 kilos (except for 1949 when it was only 393 kilos). This was way short of the prerevolutionary level of 540 kilos in 1913. There were only a few years in which that level was surpassed (per capita grain production in 1937 reached 583 kilos). The rate of taxation and procurement in the Soviet Union was very high, usually over 40 percent of gross production. But because gross production was high, what was left as food grain for peasants was still between 240 to 270 kilos. This would have been more than enough for food, but the proportion of meat in their diet was higher and a considerable amount of grain was used for fodder; so the amount left was really insufficient. The Soviet procurement price for grain voluntarily sold to the state was fixed at 8.4 rubles per ton in 1936 (the procurement price went up a little after conversion to the new currency), while the cost for producing a ton of grain was as high as 56 rubles. According to an article by a Japanese author, Shinobu Maruge: In 1933, agricultural production in the Soviet Union accounted for 16 percent of GNP but the financial income it generated for the state accounted for half of the total state budget. In 1936, wheat was procured at the price of 15 rubles per ton from the collective farms and resold to flour mills at 107 rubles per ton. (Shinobu Maruge: "Sixty Years of the Revolution and the Problem of Agriculture," COMMUNISM AND INTERNATIONAL POLITICS, in Japanese, No 6) It can be seen that the policy measures taken during the Stalin era ran counter to the close coordination of industry and agriculture and the consolidation of the worker-peasant alliance advocated by Stalin.

Stalin acknowledged the existence of the "price scissors." He considered this a form of "tribute." In addition to the usual taxes which the peasants paid to the state, the peasants also paid a certain super-tax in the form of an overpayment for manufactured goods, and in the form of an underpayment received for agricultural products. He said: "We must abolish it at the first opportunity in the next few years. But we cannot abolish it at the present moment." (Stalin: "The Right Deviation in the CPSU (B.)," "Collected Works," Vol 12, p 45) This remark was made by Stalin in 1929, but until the time of his death in 1953, this form of "supertax" was not eliminated in the Soviet Union.

In order to undertake socialist construction in a country where the agricultural economy predominates and the foundation of industry is

weak, to depend on capital accumulation from the industries themselves to develop industry will inevitably lead to slowing the pace of industrialization. That is why in the early period of construction, accumulation of capital from agriculture is an unavoidable course. But when industry has developed to a certain level, the method of capital accumulation must be changed. For example, in our country today, we have already built a considerable industrial base. The capacity of industries and state enterprises to provide capital is growing. So we must think about gradually reducing the burden of the peasants. That is to say, the state should take less from the peasants, or even stop asking for this form of "supertax," and let the peasants recuperate and build up their strength. This would be more beneficial to the development of agriculture and the achievement of the modernization of agriculture. At present, aside from collecting the necessary amount of agricultural tax from the peasants, the policy against excessive state procurement should be implemented, and the teachings of Comrade Mao Zedong on striving to narrow the "price scissors" and the exchange of commodities of equal or roughly equal values should be followed.

To narrow the "price scissors" and to gradually rationalize the price parities between industrial and agricultural products, the principal means would be to raise the prices of agricultural products and lower prices of industrial products, particularly prices of the means of agricultural production. The price parities between industrial and agricultural products in our country are the product of historical developments. When we compare them to those in foreign countries, the differential is more obvious. In Japan, 1 jin of paddy can be exchanged for 8.5 jin of ammonium sulfide; in our country, 1.5 jin of paddy can only be exchanged for 1 jin of ammonium sulfide. In Japan, 11,000 jin of paddy can be exchanged for one 20-horsepower driver-type tractor; in our country, it takes 71,000 jin of paddy to get one Dongfanghong (28-horsepower) tractor. The backwardness of industry, low labor productivity and other unfavorable factors are the basic causes for the high costs of industrial production and high prices of industrial products in our country. On the other hand, the profit rate of the industrial sectors producing the means of agricultural production are usually lower than other sectors. The potentials for further lowering prices in this area are limited. [HK131334] Therefore, we should not deal with the problem of prices in a manner wherein we "treat the symptoms but not the disease." There must be overall coordination to gradually readjust the whole price structure. Take the case of price parities between industrial and agricultural products. Only by careful implementation of the policy of exchange of equal values can the goal of national construction be integrated with the economic interests of the peasants. And only thus can the peasants' enthusiasm for production be really mobilized to benefit the integration of industry with agriculture and the consolidation of the worker-peasant alliance.

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[Article by Zhu Jiannong [2612 0494 6593]: "Basic Theoretical Problems Concerning the Ownership System and Relations in Production"]

[Text] Are the Ownership System and Production Relationships Synonymous?

Greatly disturbed by the absurd misinterpretation and distortion of certain basic economic theories of Marxism at the time when the "gang of four" ran amuck, recently our economic circles looked at actual social practices and started discussions on the basic theoretical problems concerning the ownership system and relations in production expounded by classical writers of Marxism. Certain new interpretations have evolved which are worthy of note. Here I will first of all study and discuss the following classical thesis of Marx: "In each historical era, the ownership system is developed in varying forms and under entirely different social relations. Hence, to define the capitalist ownership system is nothing more than to repeat a description of the entire social relationships of capitalist production." (Marx and Engels, "Metaphysics of Political Economy," "Selected Works," p 144)

Obviously this meant that the study of the ownership system (not necessarily limited to the capitalist ownership system) cannot be restricted to the ownership system alone; instead, it must be combined with a study of the different phases of the production relationship of each historical era. (Naturally it must be undertaken jointly with a study of the condition of production and in connection with the superstructure of the moment.) In the production process, man evolves production relationships. Hence, not only in the direct production process there exists the relationships of possession and use of the production materials and labor power (Marx said: "In the distribution of the principal production factors, man himself is an important production factor"), but also in the exchange process there exists the relationship of how the products of labor, as the objects of exchange, have come to be possessed. (Marx and Engels, "Preface to Critique of Political Economy," "Selected

Works," Vol 2, p 102) As to the means of circulation used in the exchange process, they obviously fall within the realm of production materials, if circulation is viewed as a continuation of the production process. As a result, they also display a relationship with the ownership of production materials. This is an extremely complicated problem and can be viewed with a method of dialectics that reflects the mutual connections. Also, in the distribution process, irrespective of whether the products of labor are being distributed for the first time or the second time, there exists the problem of how the current products of labor ultimately come to be possessed by the holder and in what way. In a similar manner, the consumption process shows how the current products of labor come into the possession of the consumer before they are consumed. It is because of this that Marx evolved the thesis: "To define the capitalist ownership system is no more than to repeat a description of the entire social relationships of capitalist production." Can we say now that the concept of the ownership system (principally referring to the ownership system of production materials) and that of production relationships are synonymous and have entirely the same meaning?

In the 1930's, a Russian economist (Lu Sen Bei) wrote: "Marx referred to production relation as ownership relations. In its most general economic form, this ownership relation is displayed as a general production relationship but in its special form it is displayed as a combination of production relation and exchange relation." ((Lu Sen Bei): "Explanatory Notes on 'Das Kapital,'" Vol 1, p 34, San Lian Press, 1963) But he mentioned this only briefly and did not elaborate. More recently, a more detailed and complete analysis was made by Comrade Sun Yefang. He came to this conclusion: "The entire content of production relations is in effect the entire economic content of the ownership form or the property form. It is in this context that Marx wrote: '...To define capitalist ownership is to repeat a description of the entire social relations of capitalist production.'" (Sun Yefang: "On Production Relationship as an Object of Study in Political Economy," JINGJI YANJIU, No 8, 1979, p 8--subsequent references to Comrade Sun are from this article and will not be further notated.)

Actually, among the four stages of the social production process, not only does the ownership relationship of production materials exist in the direct production stage but also there exist ownership relationships separately in the exchange, distribution and consumption stages. These relationships have a decisive significance in the respective stage of the production process. Naturally, in the final analysis the ownership relationship of production materials in the direct production process plays a decisive role in comparison with the ownership relationships of the different stages of exchange, distribution and consumption. However these two categories of ownership relationships do not come under the same concept or have the same contents. While what people broadly call ownership relationship may include both the ownership relationship

of the production materials in the direct production stage and the ownership relationships in the subsequent stages of exchange, distribution and consumption, the ownership relationship of production materials represents but one phase of the production relationships in the direct production stage (for the sake of convenience we will temporarily avoid a discussion here of the ownership relationships of the method of circulation in the stage of exchange). Hence, the ownership system of production materials and the ownership system in general really embody two entirely different concepts. Frequently people call the ownership system of production materials simply the ownership system. But in our theoretical studies, it is best to note correctly that the two have definite connections and mutual similarities but they also have dissimilarities.

[HK131610] In addition, in the direct production stage, outside of the ownership relationships of the production materials, there are certain other production relationships of a definite labor organization form or production organization form. That is to say, there are production relationships emerging from what Marx mentioned as: "the distribution of the constituents of the society into the various categories of production (each individual constituent belonging to a definite production relationship)." (Marx and Engels: "Preface to Critique of Political Economy," "Selected Works," Vol 2, p 99) Not only that, but also the production relationships of the exchange, distribution and consumption stages also have their own separate and special production relationships. For example, in the exchange stage there exist certain concrete exchange relationships or forms. This is also true with regard to distribution and consumption. These concrete production relationships and forms are determined not only by the ownership relationships of their respective stages but also in the final analysis by the ownership relationships of the production materials.

Naturally, a definite form of ownership of production materials is manifested in a definite form of exchange, distribution and consumption. In his discussion on the problem of rent under capitalism Marx has explained most clearly: "The possession of land rent is a manifestation in an economic form of the right of land ownership." (Marx: "Das Kapital," Vol 3, People's Printing Press, 1975, p 714) This is an illustration of the relationship between land rent, as one form of the distribution process, and the landowner. From this it may be said that in other sectors there are also manifestations in an economic form of the system of ownership of production materials. Besides, under definite conditions, these production relationships of the various sectors may have reactions on the ownership relationship of production materials. This is the dialectic united relationship between the ownership relationship of production materials and the production relationships in the sectors of the reproduction process. This being clarified, we cannot view the concept of the ownership system (ownership system of production materials) and the concept of production relations

as synonyms which have contents of the same nature. We can only view them as having mutually close connections which are in reality two different concepts. For several thousand years this has been an abstraction of the realistic relationships in the human society. We should not meddle with it at will.

Actually, with regard to the real meaning of the ownership system of production materials and production relationships, Marx clearly stated: "In undertaking social production for a living, men have evolved relationships which are definite, natural and cannot be shaken by one's will, that is to say, production relationships which correspond to the stage of development of their material productive power. The sum total of these production relationships constitutes the economic structure of the society..." (Marx and Engels: "Preface to Critique of Political Economy," "Selected Works," Vol 2, p 82) "Production in any form represents what the individual acquires from nature under certain social forms and making use of such social forms. Viewed in this context, to say that ownership (possession or acquisition) is a condition for production cannot be defined." (Ibid., p 90) "The earliest definition of ownership (in other words, in its Asiatic, Slavic, ancient and Germanic forms) is none other than: The subject doing labor (production) work (or subject in reproduction work) considers the conditions of his production or reproduction as his possession. Hence, as the production conditions vary, he has to adjust to the varying conditions with varying postures." (Marx and Engels: "Outlines of Critique of Political Economy (Draft)," Vol 3, pp 113-114, People's Printing Press, 1963 Edition) Hence, it can be seen, be it subjectively from the living practices of human society for several thousand years or from Marx' writings, that the system of ownership of production materials and production relationships are closely connected. However, they are not synonymous but, instead, are two concepts with different meaning.

How To Treat the Problem of Stalin's Playing Up the Importance of the Ownership of Production Materials as an Object of Study in Political Economy

In 1857, Marx, in his "Preface to Criticisms of Political Economy (Draft)" and in 1877 Engels, in his "Anti-Duhring" gave excellent definitions of the objects of research in political economics. In 1952 Stalin, following over 30 years of practice in socialism in the Soviet Union, evolved the following new thesis on the objects of political economics: "The objects of study in political economics are the production relationships of human beings, that is to say, their economic relations. These include: 1) The form of ownership of the production materials; 2) the place in production of the various social organizations which have emerged and their mutual relationships, or, as Marx said: 'their mutual exchange of activities'; 3) the form of distribution of the products completely subject to their wishes. All these constitute the objects of the study in political economics." (Stalin:

"Socialist Economic Problems of the Soviet Union," People's Printing Press, 1961 Edition, p 58) Did Stalin's new thesis improve at all on the theses of Marx and Engels?

After more than 20 years of examination of the actual practices in different countries, current Marxist economists have not reached a unanimous view on Stalin's new thesis. In Comrade Sun Yefang's view: "...Stalin excluded circulation as an object in the study of political economics. He gave an independent position to the form of ownership of production materials, making it one of the three phases of production relationships, as an object of study in political economics. Both of these are subject to questioning. This leaves much ground for further discussions."

[HK131620] I am in complete agreement with Comrade Sun Yefang when he said: "To reject circulation from the objects of study in political economics...leaves much ground for further discussions." However, I do not agree with him when he said that "to give the form of ownership of production materials an independent position...leaves much ground for further discussions." In my opinion, Stalin made a concrete analysis and what he said was an improvement on the classical conclusions of Marx and Engels.

One of the reasons for the objection brought up by Comrade Sun Yefang was: From the Marxist viewpoint, ownership relationship (or translated into the form of ownership or property ownership) was originally a legal term for production relationship. Although research in political economics should include the study of production relationships and take into consideration the superstructure including legal codes (laws and institutions). Legal codes (laws and institutions) are not by themselves the objects of research in political economics. Since political economics is to study production relationships, how can the legal form of production relationships or their legal term be taken to be the object of study?

The crux of this problem is: Should this concept of the form of ownership be included in the realm of political economics or in that of legal studies?

My interpretation is that the real meaning of the term "form of ownership" used by Marx and Engels was that generally it should be within the realm of production relations. However on occasions it can be treated as inside the realm of legal terminology (according to the usage of characters of the Han language, "form of ownership" or "ownership relations" or "property relations" belong to the realm of political economics while "ownership rights" or "property rights" belong to the realm of legal studies).

Comrade Yefang took as evidence the following phrase from the "Preface to Critique of Political Economy": "Property relationship (a legal term for production relationship)" ("Selected Works of Marx and Engels," Vol 2, p 82)--in my interpretation, Marx added the notation "a legal term for production relationship" after the term "property relationship" because he wanted to explain that while "property relationship" was in general a term used in political economics here it was used as a legal term; otherwise there was no need to make this notation--and came emphatically to the conclusion: "Property relationship (or translated into ownership relationship or a form of ownership) is originally a legal term used for production relationship...but legal codes (laws and institutions) are not the object of study in political economics." "If production, exchange and distribution constitute the entire contents of production relationships, then outside of these three items a separate item known as the form of ownership is also added. This seems to indicate that in addition to production relationships the problem of the ownership system will be studied (and besides, this ownership form is in reality a legal term)." It would thus appear that Stalin was expanding the field of study in political economics to the superstructure of legal codes. If what Comrade Yefang said was true, then it would be highly questionable or even entirely wrong.

However, as we said above, if Marx and Engels considered the concept of the ownership form as generally within the realm of political economics but one that occasionally would fall within the realm of legal studies, then it would be incorrect to restrict the concept of property relationship of ownership relationship to the field of legal studies because Marx put in the phrase "property relationship (a legal term here for production relationship)." As a matter of fact, in Marx' massive volumes of writings on political economics, the ownership relationship was principally treated and fell within the realm of political economics. For example, in the chapter on "Pattern Prior to Capitalist Production," Marx discussed at length ownership relationships and treated them principally as production relationships. (Marx and Engels: "Outlines of Critique of Political Economy (Draft)," Vol 3, pp 90-117) In Volume 1, Chapter 4 of his book "Das Kapital," Marx' discussion on capitalist ownership relationships obviously referred to capitalist production relationships and not to legal problems of capitalism. (Marx: "Das Kapital," Vol 1, pp 189-200) It can thus be seen that Stalin took ownership relationships as an object of study in political economics and did not erroneously take anything in the field of legal codes as an object of study in political economics. As a matter of fact, the ownership relationship of production materials is not only an object of study which is a must in the study of political economics but also the first problem which must be studied clearly in connection with any kind of production relationships. Naturally, from the point of view of Marxist methodology, we cannot single out the ownership system of production materials for study only but must unite it with other phases of production relationships for study. The entire setup of theoretical

discussions in "Das Kapital" is an excellent illustration in this regard. This is because the question of owns or takes possession of the production conditions or production materials is a question of decisive significance in all production relationships. As Marx said: "Prior to the distribution of the finished products, there are first the distribution of production tools and second the distribution of the members of the society into the various production departments (individuals subordinated to a given production relationship). This is an added provision of the same relationship mentioned above." (Marx and Engels: "Preface to Critique of Political Economy," "Selected Works," Vol 2, p 99)

In his definition of the objects of study in political economics, Stalin gave a place of importance to the form of ownership of production materials. He did not do so out of his own creation. Instead, he was expanding or developing Marx' earlier discourse.

Stalin's Incorrect Exclusion of Exchange as an Object of Study in Political Economics

Marx definitely fixed the objects of study in political economics as: production, distribution, exchange and consumption. They are the parts of an entire whole and are different segments of a united whole. (Ibid., p 102)

Engels also said: Political economics is "a branch of science for the study of the conditions and forms whereby the various kinds of human social structures engage in production and exchange and also appropriately in the distribution of the finished products." (Marx and Engels: "Anti-Duhring," "Selected Works," Vol 3, p 189)

[HK131628] Although in his book on the "Socialist Economic Problems of the Soviet Union," Stalin recognized that a socialist society must engage in the exchange of commercial goods in a restricted sense, he rejected exchange as an object of study in political economics. This not only does not tally with the objective reality of capitalism or of the various patterns of social economy before it, but also fails to tally with the objective laws of the development of socialist production relations. It runs counter to the classical theses of Marx and Engels. The point of contrast does not lie in his form of presentation or in different wording from that used by Marx and Engels, but in the new thesis he presented. Is it an improvement on the definition made by Marx and Engels on the basis of objective social practices? Or must it be assessed in some other manner? According to Stalin in his definition of the objects of study in political economics, "exchange" was not mentioned "because the term 'exchange' was generally interpreted by many people as the exchange of commercial goods. This type of exchange is not indicative of all social behavior but is rather the special phenomenon of a certain social behavior. It is thus liable to cause

misunderstanding although what Engels described as 'exchange' did not mean only 'exchange of commercial goods.' However, what Engels meant by the term 'exchange' was already included in the structure of the above-mentioned definition. Hence, this definition on the objects of political economics completely corresponds with Engels' definition, insofar as the context is concerned." (Stalin: "Socialist Economic Problems of the Soviet Union," p 58)

As a matter of fact, the second part of Stalin's definition is entirely different in content from what Engels meant by "exchange." Stalin said: "What Engels meant by the word 'exchange' was already included in the structure of the above-mentioned definition." If what Stalin had in mind was the phrase "mutual exchange of activities" found in Marx' book "Wage Labor and Capital" (Marx and Engels: "Wage Labor and Capital," "Selected Works," Vol 1, p 362), then Stalin made an extremely incorrect interpretation of Marx' phrase on "mutual exchange of activities." He "mixed production and circulation together which are basically different from each other but keep each other in check." (Marx and Engels: "Anti-Duhring," "Selected Works," Vol 3, p 193) This is because the phrase "mutual exchange of their activities" found in Marx' book "Wage Labor and Capital" and what Marx said in his book "Preface to Critique of Political Economy" about the distribution of the constituents of society into the various categories of production (each individual constituent belonging to a definite production relationship) (as a matter of fact, this is similar in content to the second item of Stalin's definition and Stalin simply transplanted Marx' word) both views men as constituents of the production relationship in the direct production stage and did not treat them as part of the production relationship in the exchange stage, yet Stalin said: "What Engels meant by the use of the word 'exchange' was already included in the text of my definition." Is this not mixing two different processes together although they do keep each other in check? Yet in this way he did away with "exchange" as an object of study in political economy. As a result, in Stalin's definition of the objects of study in political economics, no place was left for the study of the laws governing the patterns of exchange. On the other hand, Engels clearly pointed out: "Production and exchange are two different functions... Each of these two social functions suffers from outside influences; hence each is governed by its own special rules and regulations." (Marx and Engels: "Anti-Duhring," "Selected Works," Vol 3, p 186)

From this it can be seen that to claim that the contents of Stalin's definition of the objects of study in political economics (Stalin's own definition--Editor's note) were entirely similar to those of Engels' definition is incorrect and does not tally with the actual situation. Theories come from practices but theories also guide practices. A practice which is guided by a correct theory will certainly follow the objective laws governing social development and eventually become a correct social practice beneficial to the smooth progress and

development of society. A practice guided by an erroneous theory will of necessity go against the objective laws governing social development and eventually become an erroneous social practice harmful to the smooth progress of society. In his definition of the objects of political economics, Stalin excluded exchange from the realm of production relations. In so doing, not only did defects appear in his classical Marxist compilation known as "Socialist Economic Problems of the Soviet Union," but this also revealed his one-sided understanding of socialist commodity economics. He one-sidedly came to believe that in a socialist state only consumer goods belonged to the category of commercial goods but that production materials were "no longer commercial goods, being outside of the arena governed by the law of value and only retaining the outside crust of commercial goods (such as pricing and so forth)." (Stalin: "Socialist Economic Problems of the Soviet Union," p 41)

Because of these defects in Stalin's authoritative compilation and his one-sided views on socialist commodity economics, all the socialist states adopting his theory have necessarily suffered harmful influences in varying degrees. Take for example the case of socialist China's 30 years of actual experiences in the economic life of the society. Because of its adherence to Stalin's interpretation, it has all along refused to consider production materials as commercial goods and kept them from circulation as commodities. Instead, it has treated them as products subject to allocation. (In reality it was a system of distribution or rationing in kind.) As a result, it has never been possible for the production units (state-operated economic units) and collective economic units to meet in time the actual needs for production equipment and raw materials for production! [HK131638] At the same time, for over 20 years following the basic completion of our nation's socialist restructuring, consumer goods have all along been purchased and marketed by the state through the commerce department. For a prolonged period of time it has not been possible to satisfy the normal needs of the vast masses of consumers for articles of daily use. Meanwhile, false Marxists and gangsters like Chen Bo and the "gang of four" seized this opportunity to make up such absurdities as commodity economics would soon disappear and so on and proceeded with their wrongful activities. This brought about harmful results. All such consequences were directly or indirectly connected with Stalin's concept of rejecting exchange as an object of study in political economics and with his one-sided views on socialist commodity economics. In recent years, our country's economic theorists and practical economic workers have come to know that certain socialist states had comparatively good experiences in developing socialist commodity economics because they had not been influenced by this theory of Stalin. This has helped us clearly understand the real significance of the production and circulation of commercial goods in socialist economic life. Consequently, guided by the spirit of the communique of the third plenum of the 11th party Central Committee, a firm resolve was made to proceed with a bold restructuring of the economic management system on a nationwide scale. One of the important contents of this restructuring will be the vigorous development of the production and

circulation of commercial goods. This will open up a new road to the smooth development of our socialist modernization program.

As a whole, with regard to Stalin's definition of the objects of political economics, on the one hand, we should correctly give him due credit for specially pointing out the important place occupied by the form of ownership of production materials in the production relationships and assess it as a major contribution to studies in Marxist political economics. On the other hand, we should note that he rejected exchange from the objects of political economics and that in this respect alone, just as Comrade Yefang has said, it was "a step backward from Engels' definition." In the future when the stage of communism is reached, will there still be the item of "exchange" among the objects of political economics? Of course, this will have to be determined by the actual practices in livelihood under communism. But, for the sake of theoretical discussions and according to views expressed by Marx, Engels and Lenin, it may be a forecast that under a communist society there will no longer exist "exchange" in the sense of exchange of commercial goods. But what Marx said as the "mutual exchange of activities" in men's direct production process will last forever. Only, by that time the labor organization forms and the production organization forms will have been continually changed following the enormous development in the productive power of society.

CSO: 4006

MINERAL RESOURCES

SHANDONG GEOLOGY BUREAU ACHIEVES NEW RESULTS

Beijing GUANGMING RIBAO in Chinese 20 Jan 80 p 2

[Article by Liu Chengguo [0491 2110 0948] and Fan Youde [5400 2589 1795]: "Using Every Possible Means to Find Large Quantities of High-grade Ore for the State; Geological Science Research Team of Shandong Province Achieves New Results"]

[Text] Scientific and technical personnel of the Geological Bureau of Shandong Province used every possible means to find large quantities of high-grade ore for the state.

The members of the geological science and technology department presented to the state a large-scale gold mine--Xincheng gold mine, which was the seventh gold mine presented to the state since 1977. They have also discovered a large-scale silver mine in Zhaoyuan County. They have further discovered a large-scale deposit of brown iron ore at Wendeng and Dianzi south of Xindian. The average iron content of the ore is said to be better than 40 percent, which makes this mine one of the richest iron ore mines this nation possesses today. The natural sulfur mine discovered in the Cixing Basin was the first large-scale mine of the new type ever found in the eastern part of this county. In addition to these, several large-scale zeolite mines have also been found for the first time within the boundaries of Shandong Province. Zeolite is a substance widely being used in the petrochemical industry, atomic energy industry, agriculture and animal husbandry, construction industry, sea water utilization, and environmental protection.

The technical members of the Shandong Geological Bureau have summarized their experiences in prospecting accumulated over many years and unfolded a geological scientific research work. They analyzed the geological structure of the central and southern parts of Shandong Province, investigated the structural system of that area in relation to the granite primary structure and compiled a number of scientific and technical books, including "Geological Mechanics Lectures," "Introduction to the Field Works Related to Geological Mechanics," and "How to Find Granite." The chief engineer of the seventh geological work team, Chen Daxiao [7115 6671 1321], working

with the technical members of the team, came up after 4 years' hard labor with a special publication entitled "General Investigation and Prospecting for Granite." In order to grasp the geological laws, the members of the geological science and technology team inspected more than 1,000 gold mine shafts left behind from history, climbed more than 100 mountains, and analyzed a huge volume of geological data accumulated over the years. They dug deep into the problems related to formation and control of gold mines and published a book entitled "How to Find Gold Mines" which contributed significantly to instructional work related to general inspection and prospecting for gold mines.

The members of the geological science and technology team have compiled a "Shandong Province Geological Map" to a scale of 1:50,000 by widely utilizing the results obtained by the Shandong geological work team as well as the results achieved by other concerned departments, including petroleum, metallurgy, coal, and earthquake study. After accomplishing this feat, they have further compiled a "Shandong Province Structural Systems Map" to a scale of 1:50,000 and an instruction manual that goes with it. This has been an important achievement of the Geological Bureau of Shandong Province. This was the first time the theories of geological mechanics were applied in carrying out an overall, systematic research of the geological structure of the province. This achievement has significant impact not only on understanding of the laws governing mineral resources of Shandong Province, but also on development of its ocean resources and exploitation of its mineral resources, and provides important basic data for research work in the fields of earthquakes, geotherms, engineering, and hydrological geology.

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FOREIGN TRADE

NUMBER OF GUANGDONG FOREIGN TRADE CONTRACTS INCREASES

Hong Kong TA-KUNG-PAO in Chinese 5 Jan 80 p 1

[Article: "Guangdong Foreign Trade Contracts Exceeded 1,000 in Number Last Year; With Total Value of Contracts Exceeding \$600 Million; Contracts Include Processing of Imported Raw Materials and Compensatory Trades; Nineteen Other Provinces and Cities All Over the Country Have Also Developed Similar Trading Businesses"]

[Text] Guangzhou, 4 Jan [Xinhua]--Guangdong Province signed more than 1,200 foreign trade contracts in 1979. These trade contracts included processing of imported raw materials, assembling of imported materials, compensatory trading, and joint capital operations.

By November 1979, Guangdong Province had signed contracts valued at \$400 million, including contracts to process imported raw materials.

The foreign investment involved in the joint capital operation and joint enterprises amounted to \$250 million.

Contracts involving processing and assembling of imported materials included machinery, electric equipment, automobile parts, electronic assemblies, household appliances, wrist watches, wool and cotton products, clothing and leather products. The compensatory trades included such items as gravel, brick making, hotel construction, and deep sea fishing.

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FOREIGN TRADE

GUANGDONG ANNOUNCES EXPORT OF SMALL FREIGHTER

Hong Kong WEN WEI PO in Chinese 1 Jan 80 p 5

[Article: "Guangdong Exports Freighter for the First Time; A Pair of 300-Ton High Speed, Fresh and Live Cargo Freighters Delivered; Supply of Fresh and Live Commodities to Hong Kong From Guangdong Shall See Improvement"]

[Text] Guangdong Province, which was heretofore known to export mainly agricultural products and agricultural byproducts, together with light textile products, is currently aggressively developing its ship exporting business. Last week, two high speed, fresh and live cargo freighters of 300-ton class built at the Guangzhou shipyard were delivered. This was the first time in history that Guangdong Province ever exported a freighter.

According to an official announcement, the ship exporting business of Guangdong Province started in November 1978 when a hulk ship for carrying edible oil was exported. Later on, four more hulk ships were exported in two batches in June and December 1979. Including the two high speed fresh and live cargo freighters exported this time, Guangdong Province has so far exported seven ships before entering the 1980's. They say that the quality of the first 2 hulk ships was so good that Guangdong Province has signed contracts to build 10 more ships since then.

The two high speed fresh and live cargo freighters exported by the Guangzhou shipyard were ordered by the Wufeng Company. The main diesel engine and various other pieces of equipment on the ship were imported from various countries, including the United States, Japan, and West Germany. Its cruising speed can reach more than 16 knots. Its cargo compartments are equipped with refrigerating and air conditioning systems so that it is suitable for carrying live cargoes such as hogs, cattle and three birds; fresh fruits and vegetables; and frozen or live fish. It is capable of regulating temperature and humidity according to the requirement of various types of cargoes in order to keep the freshness and quality of its cargoes. They say that the Wufeng Company had ordered construction of two other freighters of similar type from a Hong Kong shipyard and received delivery last month.

This fleet of four high speed, fresh and live cargo freighters has been transferred to the Guangdong Province Food Company for use. Since these

four freighters are equipped with refrigeration systems and their speeds are high, the conditions surrounding the supply of fresh and live commodities to Hong Kong and Macao from Guangdong have been significantly improved. These ships can carry cargoes from Zhanjiang, Haikou, and Shantou to Hong Kong. If they depart by 1700, they can supply the market with goods early next morning.



The first freighter exported from Guangdong Province—300-ton, high speed, fresh and live cargo freighter.

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FOREIGN TRADE

SHANXI EXPORTS MORE COAL, NEW TYPES OF COMMODITIES

Hong Kong TA-KUANG-PAO in Chinese 18 Dec 79 p 2

[Article: "Shanxi Achieves Significant Results in Exporting; Its Coal Exports Increased One and a Half Times; Direct Exports Increased 1.3 Times Compared to the Same Period Last Year; Mine Products Gain Greater Increase in Exports; 44 New Items Added"]

[Text] Zhongguo Xinwen [the China News Service], Taiyuan, 17 Dec--Shanxi Province accomplished with excess the foreign trade and export plan for this year 2 months ahead of schedule, and created the highest level of exports in history. By the end of October, they have accomplished 109 percent of purchasing of commodities planned for exporting this year, amounting to an increase of 44.7 percent compared with that of the same period last year. They have accomplished 121 percent of the direct exporting planned for this year, amounting to an increase of 1.3 times that of last year. The outstanding features concerning the production of export goods in Shanxi Province this year include a significant growth in the production of key industrial and mineral products and a swift development in production of other commodities suitable for exporting. The key industrial and mineral products including coal, feldspar, sodium sulphate, etc., achieved a total production that was more than 1.5 times that of the same period last year. Production of cotton cloth surpassed the planned annual production of 250,000 bolts by 210,000 bolts, which also amounted to an increase of 1.5 times that of the same period last year. Some of the other commodities suitable for exporting which involved but a small sum of money in the past have been developed into staple commodities. For example, plastic knives exported increased from 30,000 in the past to 210,000, and cotton yarns from 1,000 pieces to 10,000 pieces. In addition to these, many work units have, based on the demand of the foreign markets, exported 44 new kinds of commodities beyond what was planned originally.

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FOREIGN TRADE

BRIEFS

SESAME SEEDS EXPORTED--China has concluded a contract with Mitsui Bussan of Japan to export a large quantity of sesame seeds for extraction of oil. This was the first time since 1958 that Chinese sesame seeds for extraction of oil were exported to Japan. The amount of sesame seeds involved in this transaction was 6,000 tons, which is approximately equal to one-tenth of Japan's annual import of sesame seeds. The price was approximately \$900 per ton (cost and freight). China has expressed its willingness to continue to export to Japan a large volume of sesame seeds for extraction of oil. Approximately 1,000 tons of edible black sesame seeds have been exported to Japan annually by China in the past. Export of sesame seeds for extraction of oil has never been done before, even though Japan had repeatedly requested it. [Text] [Hong Kong WEN WEI PO in Chinese 10 Dec 79 p 5] 9113

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END

SELECTIVE LIST OF JPRS SERIAL REPORTS

CHINA SERIAL REPORTS

CHINA REPORT: Agriculture
CHINA REPORT: Economic Affairs
CHINA REPORT: Plant and Installation Data
CHINA REPORT: Political, Sociological and Military Affairs
CHINA REPORT: RED FLAG*
CHINA REPORT: Science and Technology

WORLDWIDE SERIAL REPORTS

WORLDWIDE REPORT: Environmental Quality
WORLDWIDE REPORT: Epidemiology
WORLDWIDE REPORT: Law of the Sea
WORLDWIDE REPORT: Nuclear Development and Proliferation
WORLDWIDE REPORT: Telecommunications Policy, Research and Development

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